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# ***JPRS Report***

# **China**

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# China

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## GENERAL

### West Accused of Practicing 'New Hegemonism'

OW2512193690 Beijing BAN YUE TAN in Chinese  
No 21, 10 Nov 90 pp 16-18

[Article by Tang Tianri (0781 1131 2480), managing editor of XINHUA News Agency: "How To Understand New Hegemonism and Power Politics"]

[Text] Major changes are taking place in the world situation. While the old international setup is collapsing, a new one remains to be formed. At the junction between the old and new international setup, new hegemonism and power politics, either regional or global, have begun to appear, and they are seriously threatening world peace and tranquility.

Recently, the most discussed topic in the world is the Gulf crisis, touched off by Iraq's invasion of Kuwait. The Iraqi invasion is a striking manifestation of regional hegemonism and power politics under an imbalanced international setup following U.S.-Soviet detente. This fact has been very clear to people. What we need to discuss now is the question of how to understand the new global hegemonism and power politics.

#### I

While the Soviet Union is encountering domestic difficulties and is on the defensive, the Western nations are actively trying to substitute a tripolar U.S.-European-Japanese system for the original bipolar U.S.-Soviet system in an attempt to establish a "new world order" dominated by Western capitalism. Such a strategic objective of new global hegemonism and power politics is shown clearly by the following facts:

The annual summit meeting of the Western Group of Seven [G-7] is becoming in function a "rich nations' club," discussing political and global issues in addition to economic issues. Last year's G-7 summit had made indiscreet remarks about China. The G-7 summit held in Houston in July this year also commented on various countries one by one. Its political and economic declarations repeatedly emphasized that "democracy," "freedom," and "market mechanism" are the solution to all problems, urging socialist countries and developing countries to practice Western "democracy" and take the road of market economy. The chairman of the G-7 summit even openly announced that the Western world's "mission of the era" is to promote "democracy throughout the world."

The NATO summit meeting held in London in July this year was described as "the most important meeting in the history of NATO." The meeting drew a blueprint for the future order of Europe—namely, to "achieve a unified free Europe." According to the blueprint drawn up by Western nations, the future new order of Europe will take NATO as its military center, the Conference on

Security and Cooperation in Europe [CSCE] as its political center, and an enlarged EC as its economic center.

A trend meriting our attention is that the leaders and high-ranking officials of the United States, Japan, and the EC nations recently have stepped up bilateral and multilateral consultations in order to constantly coordinate their views and strategies. During the tripartite consultations, Japan appeared very active. Japanese Prime Minister Kaifu visited Europe in January and the United States in March, and attended the G-7 summit in Houston in July this year. In addition, Japan was invited for the first time to attend the NATO discussion on Asian-Pacific issues in June this year, and the Japanese foreign minister visited NATO headquarters in July this year. A CSCE summit meeting is scheduled to be held in Paris before the end of this year, and Japan is to attend it for the first time. Western media believe that the United States, EC nations, and Japan are stepping up their coordination in order to accelerate a shift from "a world dominated by superpowers" to "a U.S.-European-Japanese tripolar world."

#### II

In order to establish the above-mentioned so-called "new world order," the general practice of Western nations at present is to emphasize using economic, political and ideological means while maintaining military might. In applying these means to various countries, the Western nations will use Western values as a yardstick and treat those countries differently.

The Western nations are actively managing to provide economic aid to the East European nations following the major changes that have taken place there. First, they advocated the establishment of an "European Rejuvenation and Development Bank," sponsored mainly by 24 Western industrial nations, in order to make overall arrangements for aid to the East European nations. Then, in early May, they increased the financial resources of the IMF by 50 percent to satisfy the increasing demand for loans by the East European nations.

Western nations welcome the trend of changes in the Soviet Union and have unanimously agreed to provide aid to it, but they hold different views on how the aid is to be provided. Federal Germany, France, and Italy advocate immediate aid to the Soviet Union in order to draw it even closer to the Western world. The United States, Japan, and Britain hold that the Soviet Union must practice market economy, reduce military spending, and stop its annual \$5 billion in aid to Cuba before it receives any aid from the Western world.

The Western nations provide aid to the Third World countries on the preconditions that the latter practice Western "democracy" and a "multiparty system," improve their human rights record, and restructure their economies. At the second UN conference of most underdeveloped nations not long ago, representatives of Western nations, in their speeches, urged the most

underdeveloped nations first to meet the aforesaid conditions in order to get aid. They even demanded that the conference documents contain such sentences as "respect for human rights is the basic factor for ensuring success in development policies." This demand was resisted by representatives of the Third World nations. During the 16th Franco-African Summit Conference in June this year, which was attended by 36 countries, France decided on a new Franco-African framework linking "democracy" to development. France openly stated that the amount of French aid will be determined by the degree of "democracy" and "respect for human rights" in the recipient nations.

At the 16th meeting of the UN Human Rights Committee early this year, Western nations used human rights issues to exert pressure on some Third World countries, interfered with their internal affairs, and attempted to put the UN human rights work completely on the track of Western values. Speaking on behalf of 12 EC nations, Ireland mentioned more than 20 Third World countries by name and accused them of violating "human rights." Ten of those countries were included in open or secret reexamination lists. The Western nations also collectively made an anti-China proposal on the so-called "China situation" so as to openly interfere with China's internal affairs. A similar situation, in which Western nations used human rights issues to interfere with the Third World countries' internal affairs, also happened at the 83d meeting of the Inter-Parliamentary Union and the 34th meeting of the Woman's Status Committee held not long ago.

It should be pointed out that, while the Western nations stress the use of economic and political means to exert pressure on Third World countries and interfere with the latter's internal affairs, they have not abandoned military means either. For instance, U.S. forces invaded Panama in December last year; U.S. Marines entered the Liberian capital in August of this year; and a large number of U.S. troops have been deployed to the Gulf region since Iraq's invasion of Kuwait.

### III

To sum up, the attempt by Western nations to establish a "new world order" dominated by capitalism, and the means used by them to fulfill this purpose, are, in fact, intended to impose Western values, social systems, and political and economic formulas on other countries. This is a typical expression of hegemonism and power politics under the new circumstances. This so-called "new world order," like the "old international order" of the past, will create international tension and conflicts, and endanger world peace and tranquility. It violates the universally recognized norm of international relations—the five principles of peaceful coexistence. It also runs counter to the aspirations and trend of the world's people for peace and development. At a series of international meetings held since the beginning of this year, leaders of many Third World countries have strongly criticized the West's hegemonic behavior of crudely interfering in the

internal affairs of other countries by making use of Western values such as "democracy, freedom, and human rights." Moroccan King Hassan II pointed out that "the process of democratization should be realized without foreign interference," and that "the knife must not be placed at the neck of Africa." Togo President Eyadema said, "Democracy must not be transplanted, nor must it be exported." Rwandan President Habyarimana held that "democratization is not a panacea." The recent 26th summit of the OAU adopted a declaration strongly opposing the West's attempt to impose a fixed model on people. It reiterated that all countries "have the right to choose their own system on the basis of their social and cultural values and national conditions."

History and practice have repeatedly proven that the five principles of peaceful coexistence, as opposed to hegemonism and power politics, embodies the fundamental principle for a new type of international relations and constitute a powerful weapon for Third World countries to wage a struggle against hegemonism.

### Environmental Issues Further Developed Countries' Interests

91CM0032A Beijing LIAOWANG [OUTLOOK] in Chinese No 40, 1 Oct 90 p 40

[Article by Qian Chunyuan (6929 2504 0337): "The Struggle Between the Powerful and the Powerless in 'Environmental Foreign Affairs'"]

[Text] Recently, ecological problems that endanger mankind's coexistence with the environment, such as the depletion of the ozone layer, the greenhouse effect, acid rain, and the population explosion, have attracted widespread, global attention. People are gradually coming to believe that the global ecological crisis could become a dangerous threat to national security. For this reason, discussions of "environmental foreign affairs" which deal with global ecological and environmental questions have also developed rapidly. Developed and developing countries have reached a common understanding, both on their own and with each other, that environmental deterioration threatens mankind's existence. Despite this fact, each side's attitudes and intentions concerning handling ecological and environmental problems are far from identical. A significant gap exists, particularly between developed and Third World countries. Some of the developed countries seek to shirk their historical and real responsibilities and impose their will on Third World countries. As a result, a struggle has emerged between the powerful and the powerless in the area of "environmental foreign relations."

1. The United States is representative of Western developed countries that have pushed responsibility for ecological and environmental deterioration onto Third World countries, stating that Third World countries' excessive consumption of natural resources, expanding populations, deforestation, etc., are major factors that

have caused global ecological and environmental deterioration. Third World countries, on the other hand, believe that the environmental problem is a historical one, and that it is also a real social problem. They also believe that primary responsibility for the creation of the global greenhouse effect should be placed at the door of developed countries. First of all, during industrialization and development, these countries generated various gases that damaged the ozone layer, and these gases were major factors in forming the greenhouse effect. Since the discovery of chlorofluorocarbons [CFC's] in 1928, developed countries have used tremendous quantities of this material to further their economic development, while at the same time damaging the atmosphere. Clear proof of this is that, in the 1950's, acid rain had not yet been observed in the industrial belts of Europe and North America. Developed countries should take responsibility for this. In addition, consumption of industrial goods by the United States and the other Western countries is expanding, resulting in a tremendous increase in the consumption of energy, mineral, water, and biological resources. Developed countries, which do not quite make up one-third of the world's population, consume 80 percent of the world's raw materials and finished products. This expansion of production and consumption is also one of the major factors producing global ecological and environmental deterioration. According to a report by the World Watch Institute, 65 percent of all environmentally harmful gases released into the atmosphere come from industrialized countries in the northern hemisphere; the United States alone accounts for 23.7 percent. In addition, according to a report by the U.S. World Resources Institute, the United States is responsible for almost one-fifth of all carbon released into the atmosphere each year. Finally, the ecological and environmental deterioration caused by Third World countries is related to their level of social and economic development. Historically, for a long period Third World countries were subject to colonial domination by capitalist countries. Their economies were based on a single product, and development was lopsided. Their mineral and forest resources were also pillaged by the colonial powers. After independence, these countries all needed to rapidly develop production and improve people's living conditions. Because of their economic difficulties, these countries now owe tremendous debts to developed countries. According to statistics from the Organization for Economic Cooperation and Development, at the end of 1989 the total debt of Third World countries was 1.322 trillion dollars. This high level of debt has become a serious burden on the economic growth and development of Third World countries, and also affects their coordination of country development with environmental protection. Developed countries have a duty and responsibility to assist Third World countries in protecting the environment.

2. Developed countries have already banned the use of some chemical products, required the use of safe substitute products, and formulated unified international standards for dumping chemical products. They are pressuring Third World countries, attempting to force them

to adopt international, environmental restrictive measures. Developed countries also rely on their economic and technological superiority, using environmental protection as an added condition for supplying Third World countries with developmental assistance. Developing countries wish to achieve industrialization, but because conditions within these countries are so restrictive, presently they can only use such chemical products as CFC's. One feasible plan is to have developed countries supply funds and technical assistance to Third World countries to reduce the amount of CFC's used. The United States and other developed countries equivocate when it comes to providing funds. The United States in particular did not agree at first to establishing a special fund for reducing the production of ozone-damaging materials. It later attempted to take control of the international fund by proposing that a country's voting rights be determined by the size of its contribution to the fund. At present, developed countries have not promised to adopt preferential terms for transferring technologies to use and produce CFC substitute materials. On the contrary, developed countries can take advantage of their advanced technology, breaking into the Third World markets for safe substitute products and generating high profits. This approach can only hinder the national economic development of Third World countries.

3. Because the cry for environmental protection within developed countries grows louder each day, and because environmental legislation is quite strict, while the cost of cleaning up toxic waste sites is high, developed countries have been moving manufacturing enterprises that are harmful to the environment and to human health to Third World countries. This amounts to ecological aggression. According to estimates, two-thirds to four-fifths of the dirtiest sectors of Japan's overseas investments are located in Southeast Asia and Latin America. Between 1981 and 1983, 35 percent of total U.S. overseas investment in ecologically harmful industries was in Third World countries. In addition, developed countries also dump toxic and nuclear waste in Third World countries and regions. Between 1986 and 1988, developed countries transported 3.656 million tons of dangerous waste to Third World countries. The United States dumps toxic waste in Latin America, a practice which has attracted the fierce opposition and resistance of the countries and people in the region.

Better protection of the world's ecological environment in which we live is the common desire of all mankind, and it is also the responsibility of the international community. Developed countries should respect the rights of Third World countries, as well as their common resolve to properly solve the ecological and environmental problems faced by the whole world.

#### Uruguay Round President Discusses Negotiations

OW2912180690 Beijing XINHUA in English  
1537 GMT 29 Dec 90

[Text] Montevideo, December 29 (XINHUA)—The new negotiations of the Uruguay Round that will start in

Geneva on January 15 will end with an acceptable result that will impede a commercial war, Uruguayan Foreign Affairs Minister Hector Gros Espiell predicted.

In an interview given Friday to XINHUA, Gros Espiell, who is also the president of the Uruguay Round, recalled that the Brussels conference held in December did not end the talks but managed to have them continue in Geneva to avoid a dead end.

The Geneva talks could be partly successful since "there is more flexibility between the parties" following a series of important contacts established in view of the future negotiations, he said.

The Uruguay Round head declared, "Nobody wishes to be responsible for the failure of the most ambitious and important negotiation in the history of international trade", adding, "the world at the end of the 20th century will not be able to face the collapse of a commercial negotiation."

Gros explained that the results reached in Brussels will be taken into account for the next round of talks.

However, he recognized that the negotiation will be "very difficult", stressing that an overwhelming success should not be expected, only acceptable results that will impede the strengthening of protectionism.

Referring to agriculture, the most controversial issue of the talks, he said that there are now a series of elements which could lead to think that the European Community will study modifications of its common agricultural policy.

However, he declared that the EEC is not about to implement radical changes in its policy but that it could soften its stance to allow negotiations between nations that produce and export agricultural products.

About the role of developing countries, Gros said that they had acted for the first time in the General Agreement on Tariffs and Trade (GATT) talks, and that the group had "efficiently intervened" in the Brussels talks, adding that they were called to play an important role not only in the agricultural sector, but also in the fields of services and textiles among others.

#### Delegates To Attend Asian Textile Conference

OW0401090891 Beijing XINHUA in English  
0851 GMT 4 Jan 91

[Text] New Delhi, January 4 (XINHUA)—About 460 delegates from Asian economies will attend the first Asian textile conference to be held here from January 17.

The three-day conference will discuss the opportunities, trends and developments in textile industries of the Asian region, the PRESS TRUST OF INDIA reported today.

The delegates will be from Australia, China, Indonesia, India, Iran, Japan, Pakistan, Sri Lanka, South Korea, Taiwan and Hong Kong.

They are drawn from manufacturers, consumers, scientists, technologists, central and state government officials who are interested in the subject.

#### UNITED STATES

##### 'Gloomy Outlook' for 1991 U.S. Economy

OW3112151790 Beijing XINHUA in English  
0048 GMT 31 Dec 90

[By Fang Yinong: "Government Projects Gloomy Outlook of U.S. Economy in 1991"—XINHUA headline]

[Text] Washington, December 30 (XINHUA)—The government today predicted a gloomy outlook of the U.S. economy in 1991, with declines in two pillar industries—construction and motor vehicles.

Forecasts for 350 U.S. industries in 1991 point to "continued but slow" economic expansion. Under-Secretary of Commerce for International Trade Michael Farren said in releasing the 1991 U.S. industrial outlook.

Farren forecast that real growth of the U.S. economy as measured by the gross national product would be in the range of one to three percent, with the most likely case being growth at the lower end of that range.

But many economists have a more pessimistic view of the nation's economic performance in 1991. They believe that the nation has toppled into a recession in the fourth quarter of 1990 and will not come out of it until mid-1991.

They predicted the GNP would grow less than one percent, probably a negative growth.

Most analysts agreed that the construction industry is in deep recession. For example, housing starts during the first 11 months of 1990 were off 12.8 percent from the same period in 1989.

Things are no better for the auto industry, with an estimated industrywide sales of 14.2 million cars and trucks in 1990, the lowest level since 1984. The nation's three largest automakers—General Motors Corp., Ford Company and Chrysler Corp.—have announced production cutbacks and layoffs of thousands of workers.

Farren expected the two industries to decline again in 1991. Both will experience negative growth, with new construction forecast to decline by 2.8 percent and motor vehicle shipments to drop by 1.3 percent.

The largest percentage declines will be in office and hotel construction which are expected to drop by 15 and 20 percent, respectively.

Sales of cars in the U.S. market in 1991 are forecast to total 9.3 million units, two percent lower than total sales estimated for 1990.

Farren said, "The declines in both construction and motor vehicles will have significant impact on a number of other major industries, including building materials, household durables, steel, and wood products."

He predicted that for manufacturing, the average weighted growth rate will decline from 1.2 percent in 1990 to 0.9 percent in 1991.

His prediction is based on continued strong growth of exports.

The drop in the value of the dollar should increase the competitiveness of U.S. products in the international market, he noted.

In manufacturing, most high-technology industries will again outperform the rest of the economy. For example, semiconductors and related devices are forecast to grow 8.9 percent in 1991. Computer industry shipments are expected to increase six percent.

Aircraft, engines and parts will experience another strong year with real growth in 1991 projected to be 4.6 percent, following a 17.8 percent estimated growth in 1990.

The service industries will outperform manufacturing, Farren said. Electronic information and software industries are expected to lead the way, with revenues rising 20 percent.

## NEAR EAST/SOUTH ASIA

### Syria Pursues 'Balanced Policy' on Gulf Crisis

OW2112073890 Beijing XINHUA in English  
0109 GMT 21 Dec 90

[By Gu Zhenglong]

[Text] Damascus, December 20 (XINHUA)—Damascus has adopted an even-handed policy toward the Gulf crisis in conformity with the changing conditions in the Middle East and the Gulf region.

Syria asserted that its balanced policy on the Gulf crisis is guided by certain rules and objectives in line with Syrian and Arab interests.

"Iraq must respond to the demand, first by the Arabs, and second by the international community (over the Gulf crisis) so that the Arab states regain unity of ranks and stand with international legitimacy to pressure Israel to give in to U.N. resolutions" on the Palestinian issue, Foreign Minister Faruq al-Shar' said Wednesday.

Syria has insisted on the importance of not linking the solution of the Gulf crisis to the settlement of the

Palestinian issue. And it is the Iraqi invasion of Kuwait and the linkage issue that have split the Arab ranks.

Right from the beginning of the crisis, Syria denounced the Iraqi invasion of Kuwait and called for the withdrawal of Iraqi troops from the oil-rich emirate and the restoration of the legitimate Kuwaiti Government.

Later it joined the global embargo against Iraq, sent 7,000 troops to join the multinational forces in the Gulf to deter further Iraqi attack and committed itself to dispatching more. This is regarded by the U.S. and other Western countries as a "positive" stand.

But Syria has rejected outside interference in regional affairs and differed with the United States in ways of dealing with essential matters in the region.

It believes that the Arab nation should devote its efforts to opposing its chief enemy Israel's policy of expansion and settling Jewish immigrants in the West Bank and Gaza Strip. Consequently, Damascus deals with the crisis very cautiously, and coordinates efforts with Riyadh and Cairo in a way that is in line with its balanced stand on the crisis.

After the U.N. Security Council adopted Resolution 678 authorizing the use of "all necessary means" against Iraq if it does not pull out of Kuwait by January 15, Syria declared that the role of its forces sent to the Gulf would be strictly defensive and would not take part in any attack on Iraq as it is part of the Arab nation confronting Israel.

Syria has stressed the necessity of seriously seeking a peaceful solution to the Gulf crisis through an Iraqi withdrawal from Kuwait to spare the region the scourge of war.

Although a long-time Arab rival of Iraq, Syria upholds the security of both Iraq and the Gulf states. It has made it clear recently that it is opposed to any military offensive to ruin Iraq's military and economic power, considering it as a powerful factor in any military confrontation with Israel and in achieving military and strategic parity with the Jewish state in the Middle East.

At the same time, Syria wants to preserve the oil wealth of the Gulf Arab states, estimated at 66 percent of the world oil reserves, on the grounds that this wealth belongs to all the Arabs.

Many Arab states accused the U.S. of having double standards toward Iraq's invasion of Kuwait and Israel's occupation of the Arab lands. They back Iraqi President Saddam Husayn in linking the Gulf crisis to a settlement of the Palestine issue. But Syria rejects the linkage.

At the same time, it has also frowned at Washington's policy of extending financial and military assistance to Israel under the pretext that Israel's security is threatened in the Gulf crisis.

**Syria has criticized Washington for its promise to give Israel 400 million dollars to help it settle the Soviet Jews in the Jewish state including East Jerusalem.**

**The U.S. bias toward Israel has provoked Syria's skepticism about U.S. credibility in dealing with both issues.**

**U.S.-Syrian ties had been frigid because Washington accused Syria of "backing some Palestinian terrorist groups," and officials of the two countries had never met until after the Iraqi invasion of Kuwait.**

Washington needs Syria's help in isolating Iraq, and this resulted in the recent rapprochement which found U.S. Secretary of State James Baker in Damascus in September and U.S. President George Bush meeting Syrian President Hafiz al-Asad in Geneva in November.

Skeptical about the U.S. intentions in the Gulf, Syria, though having sent troops to defend Saudi Arabia, has rejected any sort of coordination with the U.S. troops deployed in the Gulf region.

**Wife of Wang Juntao Asks Freedom for Husband**  
91CM0139A Hong Kong CHIUSHIH NIENTAI /THE NINETIES/ in Chinese No 251, Dec 90 pp 31-33

[Article by Hou Xiaotian (0186 2556 1131); "Return My Husband—A Cry for Justice for Wang Juntao"]

[Text] During the student unrest last year, a high-ranking member of the leadership specially asked him to come forward and do something in this student affair. He did so and gave it all his energy. However... as more reasonable people like him were arrested, the number of unreasonable people in society increased proportionally, and so did the elements of instability.

*(Editor's note: This article was written by Hou Xiaotian as a letter expressing her feelings and as a cry for justice for her husband Wang Juntao. Wang Juntao was arrested last year after the 4 June incident in Beijing. The authorities regard him as an evil backstage manipulator of the student movement and have kept him locked up for over a year now. Wang Juntao had once been taken into custody in 1976 for participating in activities on Tiananmen Square, denouncing the gang of four. In 1979, he participated in the "democracy wall" movement in Beijing. In 1980, while studying at Beijing University, he entered elections for people's representatives of district and county level. After graduating from a university, he engaged in socioeconomic research. Last year, Wang Juntao published an article in which he analyzed the student movement. After the 4 June incident, an order went out for his arrest, and he was arrested in October. To gain her husband's release, Hou Xiaotian issued a public appeal a month ago and submitted to the authorities a letter in which she expressed her feelings. The following is the gist of this letter. In publishing it, we have abridged it in some places and have added a few small subheadings.)*

My husband, Wang Juntao, was arrested, and if I don't call for the redress of the injustice of it, who will raise a voice for him?

He is the pillar of my life; if he is dead, life has no meaning for me. I am therefore indifferent to my own safety or danger, and as long as I am able, I will speak out and voice my grievance, voice my appeal, voice my hope, voice my opinion, and with an even louder voice proclaim what kind of man my husband really is.

**Extremely Worried About Possible Disturbances**

For historical and personal reasons (having once studied at Beijing University and having an appealing personality) his prestige among the students was very high. It was for this reason that during last year's student unrest a high-ranking leading member of the government involved in this matter specially asked him to do something in this student affair, which he indeed did, devoting all his energy to the task. He and his friends tried hard, with truly great efforts on their part, to mediate, resolve contradictions, and finally to restore political stability and achieve social progress.

Actually, he had already foreseen as early as the latter part of 1988 that reform had reached an impasse; that the social, political, and economic order was headed for chaos; and that the clash between old and new elements in the cultural fabric of the nation was becoming more acute. He saw the increasing discontent between lower and upper strata of society, the irresponsibility displayed by some intellectuals, and the decadence in moral principles throughout society. Wang Juntao wrote several articles for CHINGCHIHSUEH CHOUPOAO [ECONOMICS WEEKLY] and clearly stated his opinion at many meetings, expressing the fear of possible unrest and of the possibility of a social upheaval because of the mounting contradictions in the reform movement that were never resolved.

In his article "Clearheadedness Is Needed," published 29 May 1988 under the name Wen Chang [2429 2490], he said: "...Today, the main threat to progress in modernization is not posed by the obstructive forces of conservatism, but by technical predicaments and the clashes of interests arising from them, as well as by incongruities in developmental elements, with a variety of contents and of various influences, which clash with each other and lead to a loss of control and to upheaval... An outpouring of popular sentiment can then lead only to upheaval, clashes, and to a breakdown in our development."

In another article, "Reform and Order," published 5 June 1988 under the name Wen Sheng [2429 4141], he said: "...Many of the chaotic phenomena that Marx had exposed as extant during the early phase of capitalism are also occurring in today's initial stage of socialism. Commerce is increasingly turning into cheating, bribery takes the place of adhering to honest principles, and money is gradually becoming tantamount to power. The explosive growth of the population will widen the gulf between the haves and the have-nots. The mechanisms that had acted as social regulators in the past are no longer effective, while special privileges are rampant with no restraints at all, and the reform, again, cannot immediately bring about 'universal well-being.' In times of conflicting values, and because there are no generally accepted value standards, people are often at a loss as to which road to follow. In this situation it will be difficult for the reform to make any progress... We must realize the great danger in the present situation. The old social organization is in the process of breaking up, while the new one has not yet been formed. Should elements of unrest appear at any time, there would be no alternative but to intensify unwelcome forms of control."

To sufficiently prepare the people mentally for the possibility of upheaval, he once more warned the people in his article "A Critical Time for Conscientious Foresight in the 'Representatives of the People's Will,'" published 26 March 1989, that the danger of an upheaval exists. He said: "The faster the development, the more radical the changes, the more uneven the progress, and the more acute the clashes of the various contradictions; all these factors can at any time create a dangerous

dilemma and disrupt the normal structure of our development... Economic problems have further worsened and are about to turn into social and political problems. Society has become mentally destabilized, the mood of the general public is becoming increasingly restless, and public opinion is increasingly confused. This might work out to be a new pressure and motivating force toward reform and development, but might also lead to unpredictable consequences and to obstructions in China's modernization projects. The outcome will depend on whether China will be able to establish new political conditions capable of dispelling the dangers of the situation." In this respect he said: "At this time and hour, China's 'representatives of the people's will' shoulder a heavy responsibility. History shows that the conscientious foresight of the 'representatives of the people's will' is of decisive effect at any critical juncture. What primarily has allowed countries to successfully weather some critical times has been the fact that some representatives of the people's will, akin to a firm rock in midstream, have courageously and responsibly assumed their historical mission and used their power in a salient way to bring political conditions to maturity. Representatives of the people's will must attach importance to problems that threaten the country with dire consequences. They must cautiously explore schemes to resolve the problems. They must not blindly follow sentiments of ideological confusion (this has often led countries into chaos), nor attach themselves to forces of every hue and color, as such normally arise in times of change. They must convey independently and wisely the fundamental interests of the people.

#### A Clear Understanding of the Student Unrest

Because he had given systematic thought and careful consideration to many of the problems, after the eruption of student unrest and with his intelligent insight in matters, he proposed the right attitude and an effective plan to resolve the problems, and he was, furthermore, firmly opposed to violent disturbances.

In his article "Achieving Political Stability in the Course of Social Progress," which was published 7 May 1989 in CHINGCHIHSUEH CHOUPOAO, he voiced some well-meaning criticism of some misunderstandings that may have arisen during the student unrest: "The whole series of incidents, strikes, and demonstrations by students at institutions of higher learning has already attracted the attention of the whole nation and of the whole world and has evoked comment. The way the problem is recognized and the way the danger is resolved will be critical for political stability in China and for the healthy development of China's modernization projects. It would not be right to simply compare the present student unrest with the fighting between hostile forces during the Cultural Revolution. A traditional mentality of this kind would lead to a greater strain between government and people. It would be equally wrong to sweepingly regard the student unrest as the basic cause of an unrest that jeopardizes China's modernization projects. A negative assessment of this kind would have the government

ignore the valuable and significant political message contained intrinsically in the student unrest, and that would cause the government to lose an excellent opportunity to carry out some self-adjustments." He furthermore characterized the fundamental nature of the student unrest: "Looking at the fundamental direction of the student unrest, we see that its main theme is firm adherence to the policies of reform and opening up, firm adherence to the four cardinal principles, and willingness to promote the progress of democracy. The students vehemently demand punishment of persons guilty of graft and demand elimination of corruption, which in fact is precisely the administrative policy repeatedly proclaimed by the government."

#### An Excellent Opportunity Missed by the Government

When student unrest had actually erupted, he first tried to calm it down, but later became discouraged: "When we first had succeeded in somewhat quieting the unrest at Beijing universities, there was a possibility that the threatening danger could have been resolved in a propitious atmosphere. However, confined within the restraints of traditional ideas, the government was incapable of responding flexibly and thus missed an excellent opportunity" (see "Written on the Fifth Day of the Students' Hunger Strike," 21 May 1989).

Already during the general state of confusion, he was intelligent enough to see the seeds of coming turmoil. In his article "Achieving Political Stability in the Course of Social Progress" of 7 May 1989, he said: "Truly, as in every spontaneous large-scale mass movement, there is also great uncertainty in the direction that the student unrest will take, as well as its social consequences, and it could lead to events that everyone hopes will not occur... The essence of China's reform is a readjustment of the interest relations of the past and establishment of a new interest structure. However, the reform of the past few years has not yet been able to actually unseat old interest relations. Once the many strands of dissatisfaction caused by old interest relations come together, they are apt to create social upheaval. If some sectors of society adopt violent ways to express their particular feelings, that should not be cause for surprise or alarm. As far as we are concerned, we hope for stability and oppose violent disturbances."

He reminded the government: "It is the mental attitude of the masses that deserves particular attention. Because in recent years harm has come mainly to the interests of the backbone strata of the population, it was possible for dissatisfaction to spread to all the other social strata, and the serious economic problems intensified these feelings of discontent. At the same time, because the social stratum which in Chinese society forms the middle class is extremely small and weak and also lacks consciousness of the possibility of independent action, it can hardly be expected, in the current social situation, to become a leading force. These facts make it easy for social dissatisfaction to blow up into feelings of outrage that will not be held back by responsible restraint or by consideration

of the consequences. In the last few days, the development of the social situation has led to a polarization of sentiment among the masses, and many are filled with outraged indignation. Since the government did not think along the lines of the intelligentsia, but reacted slowly, these feelings of outraged indignation could easily erupt into irrational action. This gave certain social forces, whose influences had been on the decline, an opportunity to unscrupulously provoke incidents and stake their fortune on a single coup, thereby intensifying the contradictions and leading to a loss of restraint on all sides."

Based on a study of the world's political history, of China's political history, and in particular of the history of the last few years, he has for many years firmly adhered to and propagated the views of reform and peaceful improvements, and opposed any proposition of revolution. He used to say that experience in all countries shows that the consequences of revolution are chaos or a new round of dictatorships. He often referred to Tan Sitong's words: "Revolution is somewhat easy, the difficult part is cleaning up afterwards; peaceful improvement may be difficult, but things will by then have become much easier to manage." He used to tell those who viewed with hatred and pain the corruption and inefficiency in society and attempted revolt against it, that a revolutionary situation can arise only after reform has failed, and that it is necessary to strive for reform and avoid revolution. It is for this reason that he said, we definitely must avoid a situation that will have the people rise up in revolt.

#### **Devoting Himself to Mediation, His Attitude Was One of Reason and Wisdom**

He always held on to the lofty hope that the government will regard the student unrest as a turning point and will, through an accurate resolution of the problems, accomplish social progress and political stability. He expressed this lofty hope never more clearly than on 7 May 1989 in his "Achieving Political Stability in the Course of Social Progress," when he said: "All student activities since 15 April, their demonstrations and strikes, make the government face an important task, namely to learn new methods for the resolution of social contradictions. This is an opportunity, and, if properly utilized, China will then enter the gate of a modern political civilization and will, in the course of social progress, achieve true political stability. When social contradictions are being resolved, all parties concerned must have a plentiful measure of goodwill and tolerance. A tolerant spirit is the expression of wisdom and maturity. All sectors of society must learn tolerance and restraint of one's own sentiments, must resort to reason and not to violence. All irrational and irresponsible action, no matter what its reason or pretext, is unacceptable to the masses."

As for the government's slow move to solve the conflict and its inefficiency and biased adherence to the traditional patterns of thinking, Wang Juntao offered some well-meaning criticism when he said: "In contemporary

China, a citizen runs the risk of self-destruction when he communicates his desires. That is a most deplorable state of affairs... Just at this time, when China is shifting from an old way to a new way of thinking, China is losing sight of its objectives. Although theoretically having abandoned the principle of 'taking class struggle as key link,' there is still an established, stubbornly maintained tendency to consider problems from a class-struggle aspect, to apply class-analysis methods, and to deal with the various social relations by class-oriented compulsory methods, and the idea of one class oppressing another class lingers on. At the first sign of disturbance or trouble, one still follows sensual perception and assiduously seeks out the proverbial 'small handful of people' and repulse the 'anti-party, antisocialist countercurrent.' We don't want to say that China is already without classes and without struggle, but these show up mostly as frictions between interest groups, the so-called internal contradictions within the people, and not hostile forces fighting for supreme power, the fight of one party depriving a party that had previously deprived someone else of rights. The problem can now be resolved only by giving full consideration to the interests of the other party" (see "Written on the Fifth Day of the Students' Hunger Strike").

His opinion was that "the next progress in social development must be that, after all pressures caused by the student movement have passed, men of learning shall pronounce well-reasoned opinions and explain the causes of crisis and what future social development ought to be. On this basis, experts should work out operable plans, and finally the government shall formulate policy within the framework of the plans worked out by the experts." This is indeed a scientific process and method of resolving problems. However, he followed up these remarks by saying regretfully, "There are now very few men of learning who will stand up and pronounce well-reasoned principles, and experts have not yet come up with a plan. It is thus impossible for society to make real progress."

In this dilemma, all he could do as a mediator was to urge both sides to act rationally and wisely. He called on the students to see that "it is necessary to maintain a spirit of rationality and adopt an enlightened and flexible attitude, to quickly stop the hunger strike, and to break the stalemate." He then also called on the government to "immediately call a special meeting of the National People's Congress and, according to the principles of the Constitution and proper legal procedure, make a true assessment of the nature of the student movement and move democracy from the streets into the hall of the People's Congress!"

#### **How Can He Have Been an Instigator of Turmoil?**

The above statements are precisely some of his fundamental views and the ideas that guided him when he engaged in mediation during the student unrest.

Who could possibly believe that a person so opposed to violence and working so hard to mediate could be one of the so-called organizers and planners of turmoil? If truth is established on the basis of facts, I believe Wang Juntao will be found innocent.

Some have asked me, why did he run away if he was innocent? In that case I counter with the question: If he really was intent on running away, why did he not escape to somewhere outside of China but instead remained in China? It was not that he could not escape, but that he had no intention of going. I believe there are many people who know even better than I that it was his principle that he would rather be jailed than become a refugee, and besides there are many others who together with him live up to this same principle. He was clearly aware that he might be jailed, but definitely refused to take refuge abroad. That he went temporarily into hiding was to hide away from possible irrational events and clashes that might occur after the 4 June incident. After events quietened down, he had hoped to ponder some problems and do some writing, but he never thought that he could suffer the great injustice of being put to death. If he had not been a person through and through pure and innocent at heart, who would have been so "foolish" as he was?

I appeal for just treatment of Wang Juntao and the other innocent intellectuals. Wang Juntao has all along appealed for reason. As more reasonable people, like he is, are seized, the number of unreasonable people in society will increase proportionately, and so will the elements of instability. Out of various considerations in the interest of society, I appeal for just treatment of Wang Juntao and the other intellectuals and for the early restoration of their personal freedom.

I also appeal to our entire society to protect our nation's wealth, namely our talents. Give them the power to contribute their talents and wisdom for the benefit of the people and the country that they truly love. It must be the people who pass judgment on them. I therefore appeal for public trial of their cases.

#### Party-Trade Union Relationship Clarified

91CM01624 Beijing GONGREN RIBAO in Chinese  
27 Nov 90 p 4

[Article by Wei Xinde (7614 0207 1795): "Thoughts on 'Improvements'"]

[Text] "The CPC Central Committee Notice on Bolstering and Improving Party Leadership of Trade Union, Communist Youth League, and Women's Federation Work" emphasized improvement of party leadership while stressing the strengthening of party leadership. The profound grasp of the spirit and substance of leadership improvement that the Central Committee notice showed is extremely important.

In terms of party work, improvement in party leadership of trade union work requires, first of all, a clear understanding of the relationship between the party and trade unions. That trade unions are under absolute leadership of the party goes without saying. However, the trade union also has another aspect of being able to carry out work independently and at its own initiative. Therefore, although the relationship between the party and trade unions is one of the leader and the led, nevertheless, a trade union is not a unit within the CPC Committee. The CPC Committee has to be adept at using its leadership of the trade union to stir and make the most of the subjective dynamic role of the trade union. Within the duties and purview of trade union work, it must first permit the trade union to make full use of its own characteristics and strengths. Second, principal comrades in charge have to study and dig into the job of trade unions to become thoroughly familiar with trade union work in order to be able to prepare themselves to direct trade union work. History has conferred a special position on the trade union for both the present and the future, and the trade union also possesses a distinctive role. Only when they fully understand the trade union can the principal persons in charge in the party give support and guidance to trade union work, and avoid being off target and making wrong decisions. Third, CPC Committee units must maintain close relations with the trade union at all times, carrying out mutual contacts and exchanges with them. Since trade union work is part of party work, CPC Committees must regularly study it and sit down for exchanges with trade unions. They should also frequently visit grassroots trade unions both to conduct investigation and study and to make friends with trade union cadres. Fourth, CPC Committees should support and assist trade union work. When a trade union has difficulties, the CPC Committee should act at once to dispel troubles and remove anxieties. When trade units have conflicts with departments, CPC Committees should alleviate conflicts at once. When trade unions need support in the form of personnel, money, and material, CPC Committees should promptly help them solve the problem. In short, improvement in party leadership of trade union work requires full reflection of the spirit of the four words, "respect, understanding, concern, and help."

Of course, improvement is a two-way street. Trade unions must even more adopt a positive and dynamic attitude toward "improvements." First of all, they must maintain political unanimity with the party, implementing the party line, plans, and policies to the letter, and rallying closely around the party's central tasks in carrying out activities. They should keep in mind the overall situation to safeguard stability. They may not emphasize the special character of trade unions as a pretext for doing things that violate the overall interests of the people throughout the country. Second, they must take the initiative in reporting to CPC Committees, request work instructions, and actively take the initiative in winning party leadership. Third, they should always report to CPC Committees the thoughts, feelings, and

demands that come from the staff member and worker masses. Trade unions should proceed from concern for safeguarding the overall situation to do a good job of maintaining stability and dissolving conflicts whenever things happen as a result of policy shortcomings and the incompleteness of the democratic legal system that hurt the legal rights and interests of the staff member and worker masses. They should also guard against a recurrence of such events by making suggestions and recommendations. Fourth, trade unions should actively recommend outstanding persons to the Organization Department in CPC Committees, and create fine conditions for the maturation and use of talented people. They must themselves strive to make a reality of the party relying wholeheartedly on the guiding thought of the working class.

Today our socialist endeavors have entered a new period of historical development. This period demands that both party work and trade union work use new attitudes to usher in a new situation in work. Without doubt, this is where the spirit and the essence of the CPC Central Committee's strengthening and improvement of leadership of trade union work lies.

#### Terms of Address Other Than Comrade Deemed Proper

91CM0162C Beijing RENMIN RIBAO in Chinese  
14 Dec 90 p 8

[Article by Qiu Shi: "Also in Defense of the Use of 'Miss'"]

[Text] Comrade Fang Zixing's [2455 1320 5887] article titled "In Defense of the Use of 'Miss'" (carried in the 20 November issue of RENMIN RIBAO) criticized the "craze for using the term miss" that has recently sprung up, suggesting that mainland females be called "comrade." His intentions are praiseworthy, and his sentiments are genuine. However, penetrating examination shows his arguments lacking in justice and fairness. Much of his reasoning is inappropriate. Let me express a few humble opinions in following a policy of letting a hundred schools of thought contend and seeking truth in facts.

Terms of address, which serve as symbols in interpersonal relations, are a part of a people's culture and customs that belong to history. They possess continuity, but they also change as history develops. Terms of address may be divided into those used among clansmen, in occupations, in political parties, and in social relations, etc. Most are handed down from one generation to the next. They have only linguistic significance, they have no class nature. Examples are father, mother, elder brother, younger brother, teacher, classmate, professor, doctor, manager, chairman of the board, general, and president, which are used in capitalist and socialist countries alike. International social intercourse has increased in modern society, and there has also been a mutual exchange of terms of address

(culture) among all countries that facilitates contacts. The most commonly used forms of address used in international intercourse are mister, madame, Mrs., and miss. China also used these forms in the past, and they were not introduced from outside the country, but their ancient and modern connotations differ greatly. In ancient times, mister meant the head of the family or a teacher. Today it means an older person who is educated, and it is also a common form of address for grown males. In ancient times, madame referred to the wives and concubines of nobility, but today it is a form of address for married women. In ancient times, Mrs. was used to refer to the wife of a scholar official. Today it is a common form of address for a married woman. Following the "May 4th" new cultural movement, the term miss lost its connotation of young girl or servant girl to become a common form of address for an unmarried woman. Since the liberation of the mainland, the above terms of address have been very little used, everyone being referred to as "comrade," without distinction between males and females. This is probably because of the heartfelt love and support of the people of the whole country for the Communist Party and the PLA [People's Liberation Army]. Within the party and the armed forces, the usual form of address is "comrade," so everyone deems it an honor to be termed "comrade." The use of comrade is not entirely for the reasons given in Fang's article. It is in keeping with women's liberation's need to eradicate female inequality, females and males likewise enjoying the "comrade" form of address.

After many years of use, "comrade" has become a customary form of address, so when one hears "miss," it is a little jarring. However, strictly speaking, "comrade" is a political party form of address that is not suitable for general social intercourse. The dictionary defines a comrade as a person who cherishes the same ideals and follows the same path. In ancient times, it was used mostly among clansmen, partners, and party personnel. With the rise of modern political parties, "comrade" became the form of address within a party (not just revolutionary political parties, but other parties also used the term "comrade"). Only when persons from the same party refer to each other as "comrade" is "comrade" a cordial and serious term that expresses not only common ideals and beliefs, but also reminds party members not to forget the party program, party discipline, and party spirit. When a form of address used within the party is used as a common form of address in social intercourse, its party spirit content is weakened; its cordial and serious coloration is diluted, and very many careless mistakes are made, as follows:

First is a blurring of political boundary lines. There are still some anti-Marxists in society today, those who adhere to bourgeois liberalism, and those who engage in corruption, take bribes, behave like hoodlums, steal, practice opportunism, engage in profiteering, and rely on foreigners. Does calling such people "comrade" indicate that they "cherish the same ideals and follow the same path?"

Second is excessive sameness. Forms of address should have a point. To make no distinction between males and females, the old and the young, calling everyone "comrade" is like making no distinctions between one quilted jacket and another. Where there is only one form of address for social intercourse, the richness of the Chinese language is also lost.

Third is the unsuitability for opening to the outside world. With reform and opening to the outside world, foreign exchanges have increased. Fang's article also acknowledges that people from abroad should be referred to as Mrs., madame, and miss. However, some of them are members of the yellow race who do not wear a sign on their foreheads showing their identity. Furthermore, nowadays very many of our own officials, managers, and women also wear Western garb and leather shoes. They are nicely dressed and made up. Guests from abroad could be readily distinguished 10 years ago, but today identification is very difficult.

So how should people be addressed today? Comrade Mao Zedong's postliberation form of address for different people was as follows. He called people within the party, as well as workers, peasants and young people who obviously supported the party, comrade. He called people outside the party and older people master, and he termed respected women madame. He used the title showing position in the family hierarchy for clanmen, and he used the school name of classmates. (See *Selected Correspondence of Mao Zedong*.) Reportedly, it is all right nowadays to use the terms master, madame, and miss in social intercourse. One need not be surprised at such usage. Reform is socialist self-improvement, and improvement includes culture and customs as well as constant changes in forms in keeping with the tide of reform. Socialism did not develop out of a vacuum. One cannot cut oneself off from history. On the contrary, only by absorbing from human civilization everything that is beneficial can we build. I feel that those in the party who do not want to use the term "comrade" but instead use terms such as "Chief So-and-so" are to be more criticized than those who criticize the use in society of "miss" instead of "comrade." Those who carelessly use feudal remnants such as master and "brother" are also to be criticized in order to rectify arty style and elevate the nation's level of civilization.

### Unity of Stability, Reform, Development Emphasized

91CM0162B Beijing GONGREN RIBAO in Chinese  
23 Nov 90 p 3

[Editorial by Li Hongru (2621 7703 0294): "Correctly Understanding the Relationship Among Stability, Reform, and Development"]

[Text] Many serious problems and many tasks confront us. One is stability. Stability is a political task that supersedes all others. Another is reform. Reform and opening to the outside world are a road that powerful

nations must take. Yet another is development. Development of production to improve the economy is our central task. Some comrades will unavoidably experience the following doubts. All three are very important. Just which one should be worked on? Which is most important? Some other comrades will regard each of them separately or even see them as being antithetical to each other. They will consider them mutually contradictory. How should we regard the relationship among them?

We say these three are a dialectical unity. They are mutually promoting and each is indispensable. They must be regarded dialectically. To view them separately or in opposition to each other is metaphysical and wrong.

Stability is indeed a political task that supersedes all others. One basic experience during the past more than 40 years since the founding of the People's Republic has been that socialist construction must have a stable social environment. Experiences in reform and opening to the outside world during the past more than 10 years attest to this point. Lacking a stable social environment, nothing can be accomplished. This applies not only to reform and opening to the outside world, developing economic construction, and making new achievements, but even the achievements already won in revolution and construction are in danger of being lost again. However, stability does not mean that everything is static. It does not mean stagnation, and it does not mean halting the pace of reform and taking the old road to return to the old system; much less does it mean not developing the economy. Stability is the basis and the prerequisite for reform and development. This is one aspect. Another aspect is that reform and development also provide a basis and a prerequisite for stability. When people are in a stable frame of mind, they fear upheaval. At the same time, when people are in a reform frame of mind, they fear stagnation of reform. When people are in a development frame of mind, they worry lest economic construction not move along. Practice has demonstrated that the deeper reform (both economic and political) becomes, the greater the development of economic construction, and the more tangible benefits the people obtain, the more stable their frame of mind and the more stable society becomes. Conversely, wherever reforms stagnates, backtracking begins, and there is a return to the old system, people have an unstable frame of mind making the development of production difficult. This is true in an overall sense, and it is also true in a partial sense, as well as for individual enterprises and units.

For example, the contract responsibility system in the economic realm is the basic form for enterprise reform at the present stage. It is an important experience that practice has demonstrated to be effective. The present task is to move ahead with the next cycle, completing and developing this system. Some places have halted at the end of the first stage of contracting, and some have even torn up contract agreements in midcourse, causing dissatisfaction among contractors, staff members, and

workers alike, and also hurting the development of production. As another example, smashing the "large common pot" of egalitarianism and the "iron rice bowl" structures are also major reforms in the distribution realm. They are also an important experience in arousing the enthusiasm of staff members and workers, and for developing production. In dealing with the relationship of stability to reform and development, some enterprises metaphorically worry that a widening of the distribution gap may adversely affect the enthusiasm of some staff members and workers. In order to maintain so-called stability and mollify the feelings of these staff members and workers, they reopen the "large common pot," and reconstitute the "iron rice bowls." Actually such methods adversely affect the feelings of the majority of staff members and workers, stifle the enthusiasm of the majority of staff members and workers, and inevitably impair the development of production. As another example, in order to ensure the position of the broad masses of staff members and workers as masters in their own house, some enterprises have instituted some measures to permit the participation of the broad masses of staff members and workers, they have encouraged the free airing of views, and they have instituted democratic rights from which they have gained very good results. However, on the pretext of so-called stability, some enterprises fear "the expression of heterodox opinions," so they have taken back the right of participation from

the broad masses of staff members and workers, thus blocking the channels of democracy. Under the pretext of "unifying thinking," they have even not permitted the masses to speak, returning to the old road of "one person laying down the law" and "what one person says goes," so that "silence reigns" and "waters stagnate." This is the stagnation of political reforms, which is bound to hurt the enthusiasm of staff members and workers and to hurt economic development as well.

Practice demonstrates that stability is the foundation and the prerequisite for reform and development. Reform and development are also the foundation and the prerequisite for stability. Reform and development depend on stability, and reform and development also promote stability. Likewise stability and development rely on reform, and reform also promotes stability and development. This is the dialectic method. Among the three there is a relationship of inseparable mutual dependence and mutual promotion. One point that needs emphasis today is to increase the reform component using reform to pursue stability and using reform to pursue development. The idea of sacrificing one in exchange for the other two or another one is unrealistic, and harmful as well. In dealing with the relationship among these three, our comrades must use the dialectic a little bit more and metaphysics a little bit less.

## NATIONAL AFFAIRS, POLICY

### CASS Economists Assess Current Economic Problems

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[Article by Li Xiaoxi (2621 2556 6007), Song Ze (1345 0463), Lu Zhongyuan (4151 0022 0626), Li Yang (2621 2294), and Fang Hanyan (2075 3352 1693): "Analysis of Various Current Economic Problems"]

[Text] In-depth analysis of the current economic situation, examination of the economic trend of development, and clarification of associated theoretical questions are important tasks facing those doing real work on economic theory. We intend to discuss our personal views on eight problems below.

#### 1. The Current Market Situation and the Medium-Term Trend of Development of Total Supply and Demand

##### 4. Analysis of the Near-Term Market Situation

During the past year, the central government has made various policy adjustments under the "double tight" policy [tight fiscal and monetary policies]. This has played a definite role in stimulating a revival of markets and in bringing about an economic upturn. Nevertheless, the slide in economic returns has yet to make a clear turn for the better. Two points deserve mention in an analysis of the near-term market situation.

1. Insufficient structural demand may continue for a period of time and effect the future relationship between supply and demand. Despite the lessening of the decline in market sales during the past year, vigor has not been restored. Total retail sales of social commodities for the period January through May declined 2.6 percent from the same period in 1989. This included a slight increase in cities, but a 6.6 percent decline in the countryside. In addition, after demand for the means of production fell 18.2 percent in 1989 (for the materials system nationwide), it fell another 7.2 percent from January through May 1990 as compared with 1989. Statistics show that the decline in market demand was characterized by insufficient structural demand. It appears that this insufficient spot structural demand will continue for some time. This is because the moderately flexible measures inaugurated during the first half of the year have been put in place only gradually. Thus, returns from policies have been delayed. This is because there has been no change in the public's psychological expectations of a fall in prices and its consequent reluctance to buy, and even more importantly because the irrational supply structure has not yet changed markedly for the better. This insufficient spot demand at a time when people's income continues to rise presages an increase in savings, and an expansion of latent demand. Clearly, what we are facing today is the simultaneous existence of insufficient spot

demand and an inflation of latent demand. The fundamental way to ease this situation is to accelerate supply—readjust the industrial structure. Not only will this satisfy spot demand, creating an increase in the amount of money removed from circulation through the sales of commodities, and begin with the production of ultimate products to enable the normal operation of enterprises that are making a return and whose products sell well, but it can also ease future conflicts between supply and demand to prevent markets from being hit with over-concentrated buying.

2. Until such time as major improvements are made in the structure and returns situations, sole reliance on the expansion of credit to bring about a rallying of the economy risks another overheating of the economy. Since institution of the moderately flexible measures, industrial production gradually picked up speed after March 1990, the gross output value of industry at the township and above level nationwide increasing 1.4 percent from January through May as compared with the same period in 1989. This included a 4.2 percent increase in May over the same period in 1989. Very likely, as the moderately flexible measures are gradually put into place, the economy will rally more quickly. It should be recognized that for deep down reasons in the economic system, no marked improvement has occurred in either the supply structure or in economic returns during the current economic rally. Because of the irrational structure, and difficulties in selling products, industrial production during the past two or three months has been unable to shake its predicament of the more produced the greater the accumulation of goods in inventory. As of the end of May, the total value of finished products in inventory of industrial enterprises at the county level and above was 22.6 billion yuan greater than at the beginning of the year. This works out to 72.4 percent of all industrial working funds added during the same period. In terms of economic returns, during the period January through May the profits and taxes of state-owned industrial enterprises within budget fell 22.8 percent from the same period in 1989, enterprise losses rose 87 percent, and the extent of losses was 34 percent. As of the end of May, 36,000 state-owned businesses and supply and marketing cooperatives showed losses. The increase was 13,000 over the same period in 1989. Losses during the period January through May were 54.7 percent greater than during the same period in 1989, thereby intensifying the state's financial difficulties. For this reason we believe that for some time to come emphasis should be placed on structural readjustments, and attention given to improving economic returns. Speed of economic growth positively should not be the main goal of the rally, much less can there be a mistaken orientation toward "everything for the sake of a rally."

##### B. Intermediate Trend of Development of Total Supply and Demand

The key to whether a total demand that is greater than total demand can be eased during the next five years lies

in whether the inflation of latent investment demand and consumption demand can be contained, rather than whether there is a decline in current-year demand. The current slump in demand is simply a fairly large curbing of present demand, there has been no decrease in latent investment demand and consumption demand. On the contrary, because of the excessive amount of money in circulation, continued increase in the financial deficit, insufficient effective supply, a year-after-year worsening of enterprises' economic returns, too great an overall investment in construction, and sustained growth of consumption demand for many years, as well as the conversion of a substantial portion of present consumption demand into latent demand, and also entering a peak period for repayment of domestic and foreign debt during the mid-1990s, the conflict between total supply and demand that has accumulated for several years will face tremendous latent pressures. Were the flood gates of overall social demand to be opened without due consideration, all the efforts made to bring inflation under control would certainly be vitiated. Not only would the existent latent total demand pressure not be alleviated, but the total social demand that has been added during 1989 and some of the present consumption demand that will come about during the present year would be converted into latent demand causing a too abrupt increase in latent demand. A clear-headed look at the overlapping pressure from demand in these two regards has been our basic point of departure in judging the trend of development of overall supply and demand for the next five years.

### 1. Large Money Supply Continues

In view of the market slump that has occurred since the tightening of the money supply, one view holds that the money supply is already insufficient. The main reasons given are first, that 60 billion yuan of the 1989 increase in commodities in storage results from insufficient investment demand. An increased issuance of currency and an expansion of investment demand are needed to soak up these commodities. Second, although currency ( $M_0$ ) reached 234.4 billion yuan in the 1989 flow, because of the great depreciation resulting from year-after-year price rises, it does not meet needs. The reasoning behind this judgment is not complete.

The first problem is that the scale of credit, which is decisive in determining currency volume, continued to expand, yet the newly added credit could not stimulate an increase in effective supply. The 1989 scale of credit was 185 billion yuan, exceeding the annual plan amount of 160 billion yuan. This resulted primarily from the initiation of an increase in investment of start-up funds during the fourth quarter, banks loosening the issuance of credit. During the first quarter of 1990, banks and credit cooperatives added another 31.6 billion yuan of credit, which was 22.8 billion more than during the same period in 1989. This included a 19.9 billion yuan increase in industrial working capital credit, 15 billion more than during the same period in 1989. The

increased input of currency did not fully reach anticipated results. Some of it was used for the repayment of debts and the payment of wages without going into the production process. What did go into the production process was drained away in other ways. Today 30.7 percent of all enterprises' working capital is tied up in manufactures. This is approximately 20 percent more than in normal years, or 10 percentage points higher. The increased currency input cannot stimulate an increase in effective supply, and will lead to the trap of increasing the input of currency causing a run off and siphoning away that requires further inputs, which produces credit inflation.

Second, it is debatable whether the depreciation of  $M_0$  demonstrates that the money supply is insufficient. A comparison must be made with commodity sales volume and commodities in storage, which have a direct corresponding relationship. Historical experience shows that no less than a 1 to 6 ratio between the amount of currency in circulation and social commodity sales is about right. When more than this ratio was maintained from 1981 through 1983, the overall price level for this three year period did not exceed 2.4 percent, but in years in which it went below this ratio, serious inflation ensued. In 1989, the ratio was only 1 to 3.46, falling to the lowest point since 1984. The normal empirical figure for the ratio between currency in circulation and retail sale commodity storage of 1 to 4 gradually declined since 1984 to 1 to 1.6 in 1988 and showed no marked upturn during 1989. The amount of money in circulation is clearly somewhat too much. Furthermore, the amount of currency withdrawn from circulation in the form of credit is greater than the amount of currency withdrawn from circulation of a commodity nature (the increase in currency withdrawn from circulation during the first quarter of 1990 was primarily in the form of credit). The reissuance of money removed from circulation in the form of credit can create an accumulation of inventory in warehouses. This, plus the decline in enterprise earnings that the removal from circulation of commodity-type credit occasions, is bound to affect government financial revenues adversely. If this continues, it may force the government to expand public expenditures in order to stimulate demand, thereby playing a carry role in absorbing excess inflation.

The most basic standard for making distinctions is the overall price level. So long as the retail price index remains as high as 17.8 percent, no matter what, it will be difficult to get people to believe that there has been any decrease in the money supply.

The key to deciding whether future overall supply and demand is likely to level out lies in adherence to a policy for stabilizing the currency. We have to both digest excess currency and we also have to supply a proper amount of currency to support economic growth. If we continue to use the formula that the amount of money supply = the economic growth rate + the rate of price increase during plan year, for the next three years money supply will grow annually by at least 16 percent (a six

percent increase in GNP, and a 10 per cent increase in prices). This is tantamount to acknowledging the legality of inflation, which can only intensify the conflict between overall supply and demand. A wise monetary policy would be to have the money supply advance along with the GNP growth rate. A monetary type  $M_1$  ( $M_0 +$  entrepreneurial unit savings) that is as high as economic growth may be selected for monitoring. In addition, zero increase, or even negative increase should be maintained in the amount of money in circulation, while the amount of retail sales of social commodities should be allowed to climb moderately to restore the normal ratio between the two.

### 2. Trend Toward Continuing Worsening of the Government Financial Situation

Ten of the 11 years between 1979 and 1989 were deficit years. The deficit stood at 10.6 billion yuan in 1989, exceeding the plan deficit of 7.6 billion yuan. With the addition of the accumulated internal and external debt, the real deficit came to more than 200 billion yuan renminbi requiring the payment of more than 10 billion yuan for debt repayment every year after 1991. In addition, the price index for 1989 was controlled at 17.8 percent at a cost of 10.1 billion paid in government subsidies. This was a 26.6 percent increase over 1988 in the amount of subsidies. As a result of the consecutive year decline in enterprise economic returns, even though industrial growth during 1989 reached the eight percent plan growth rate, subsidization of enterprises' losses did not decrease, but rather increased. During the first quarter of 1990, enterprise losses and foreign trade losses increased approximately 70 percent over the same period in 1989. This intensified the government's financial difficulties. After offsetting receipts and expenditures, a surplus of only 1.7 billion yuan remained. This was 4.9 billion yuan less than the surplus for the same period in 1989, the surplus falling to the lowest point since 1980 for the same period. Price subsidies, enterprises losses, and foreign trade subsidies showed no signs of abating. This, plus the peaking of the debt repayment burden all resulted in a trend toward increase in the fiscal deficit, and this is a major reason for currency inflation.

### 3. The Impetus Toward Cost Increases Generated Sustained Pressures for an Expansion of Demand and Price Rises

In 1989, comparable product costs for industrial enterprises under budget nationwide rose 22.4 percent. The sustained cost increases canceled out efforts to control overall demand. Not only might an increase in enterprise loss subsidies be translated into a financial drain, but it might increase demand for inputs, thereby causing an expansion of demand during the following quarter. A rise in costs leading to an increase in subsidies leading, in turn, to an expansion of input demand ultimately has to be absorbed through price rises. Since the social support system, particularly the unemployment insurance system, is not well developed, and because of the support

measures adopted to safeguard social stability, the current market slump has not placed real pressures on enterprises to be selective. There is little urgency for them to lower costs, and insufficient motivation to adjust their product mix. State macroeconomic intentions to readjust the industrial structure and increase effective supply lack a positive response from the micro-economic foundation. Unless real steps are taken during the next five years to reform the enterprise system and reform the social support system, effective supply will be weak, and there will be no decrease in factors boosting costs. This will be bound to become a fundamental obstacle in overcoming the conflict between overall supply and demand. The converse could result in a new change for the better.

### 4. Slowing of Current Year Trend Toward Rise in Overall Social Demand, Latent Trend Toward Rise Continues Strong

During 1989, the differential between overall social supply and demand declined from 16.2 to 8 percent for a slowing of the momentum toward increase in overall demand. During the previous 6 years, however, the current year difference between overall supply and demand rose rapidly from 2.4 percent in 1982 to 16.2 percent in 1988. By comparison, the 1989 results were truly praiseworthy. Nevertheless, excessive latent demand and consumption demand pose a real threat to equilibrium between overall supply and demand for the next five years.

During the 10 year period 1979 through 1988, investment demand markedly exceeded inputs for 8 years. After 1984, the gap between input supply and demand increased greatly, peaking in 1988 at a calculated 91.5 billion yuan. This resulted primarily from the overly large scale of investment in construction. Every year during this 10 year period the actual construction project construction cycle was greater than a reasonable construction cycle. However, the annual scale of investment was basically reasonable. By comparison with either the level of increase in current year consumption and savings, or with the level of investment in foreign countries at the same stage of development, this view is tenable. Therefore, the key to future inflation of investment demand is whether there will be an expansion of the scale of investment in construction. This is a matter of concern. Tasks in the 1989 plan for cutbacks in the scale of total social investment have yet to be fulfilled. The total scale of investment in construction projects under plan for the first quarter is more than 20 percent greater than during the same period in 1989, and there are 283 more newly begun projects than there were during the same period in 1989. Furthermore, quite a few of them run contrary to requirements of industrial policy. Unless the total scale of investment in construction is reduced, control over investment demand is destined to come to nothing. In addition, guidance and control of investment outside budget is not vigorous enough. This will also become a major factor offsetting the cutbacks in investment demand.

The overly rapid increase in consumption demand has been a longstanding problem that merits close attention. Since 1984, the rate of increase in the total wage bill for staff members and workers, and in the per capita wages of staff members and workers have greatly exceeded year-after-year the speed of increase of both national income and the labor productivity rate of all personnel in industrial enterprises. If income from other than wages, which accounts for between 40 and 50 percent of staff member and worker total income is figured in, disposable income, which determines consumption demand, has increased even more rapidly. The swift rise in consumption by social groups has become a huge "black hole" that swallows up national income. From 1981 through 1983, it did not exceed 30 billion yuan annually, but between 1984 and 1989, it rose from more than 10 billion yuan to 69.3 billion yuan, and this does not include portions that escaped national statistics and auditing. Surveys show this portion to have been as much as 60 billion yuan in 1988.<sup>2</sup> Nor did the 1989 cutbacks in the purchasing power of social groups meet plan requirements. Unless controls are greatly relaxed in the future, this will become a major hidden danger giving impetus to the inflation of consumption demand.

### 5. Insufficient Effective Supply Basically Restricts the Correlation Between Supply and Demand

Increase in effective supply as a means of curing at its source overly vigorous total demand must rely, without doubt, on genuine implementation of policies to stimulate structural supply. However, current price distortions, local autarky, and refusal to permit poorly performing enterprises to go bankrupt seriously impede the flow of resources toward sectors consistent with industrial policy. Unless marked changes are made in these factors, the intermediate term trend of development of overall supply and demand will not be optimistic. One matter meriting vigilance is that insufficient effective supply is also facing danger of dilution and concealment. While everyone is concentrating attention on overcoming the market slump, reviving speed, advocating the stimulation of investment demand, and spurring consumption demand as means of removing the 60 billion yuan worth of goods stockpiled in warehouses, the products and the enterprises that should be eliminated are able to find a safe haven. Evidence exists that shows simultaneous cuts and increases in things already in oversupply. Investment in goods already in oversupply is being cut and being increased at the same time, and this may balloon. If, in the course of cutting back on total volume, we do not miss the opportunity to push for a change in the economic operating mechanism, during the next five years the conflict between overall supply and demand may moderate.

### II. Orientation of Investment Policy and Consumption Policy

In view of the contradictory situation of huge inflationary pressure from latent total demand and current

insufficient demand, the correct orientation of investment policy and consumption policy should have the increase of effective supply as point of departure and point of return. So long as latent total demand is rigorously controlled, current total demand should be allowed rational expression as a means of attaining the strategic goal of pursuing development while maintaining stability.

1. Investment policy should rigorously control latent investment demand. This is to say that there should be rigorous control over total investment demand that can pay, and perseverance in holding down the overall scale of investment in construction within the limits that a rational construction cycle permits, thereby enabling a balancing out between investment demand and the supply of inputs within the Eighth Five-Year Plan. The emphasis in controlling latent investment demand should be on cutbacks in the total scale of investment in construction. Since the scale of total investment in construction during the first quarter of 1990 was still on the rise, fairly strong tightening must be maintained. The structural emphasis should be on curtailment of investment in capital construction, particularly extra-budgetary nonproductive construction projects and processing industry projects that already exist in sufficient numbers.

This premise should be followed to maintain rational growth of the scale of investment in fixed assets during the current year so that investment demand for the year will be no lower than current year supply of inputs. Reasonable planning of the scale of investment for the year should give priority to maintenance of key state construction projects and enterprise renewal and renovation needs. Peasant investment should also be channeled toward productive construction and labor-intensive projects. Inasmuch as most projects newly begun during 1990 require investment for capital construction, and since quite a few projects are not in line with industrial policy, effective corrective measures must be taken so that structural readjustments will not become a new burden to carry.

2. Consumption policy as regards control of consumption demand consists mostly of curtailment of excessive inflation of social groups' consumption demand, with the sensible channeling of individual consumption demand to restrain overly high current consumption expectations for a dispersal of purchasing power. The curtailment of social groups' purchasing power holds major economic and political significance for the reduction of administrative expenditures and for opposing corruption while encouraging honesty. It must be maintained for a long time in order to keep it at a very low percentage of national income and at a very slow speed of increase.

As regards the rational channeling of individual consumption demand, channels for individual choices of assets should be widened to disperse individual purchasing power and restrain high consumption. People

should be encouraged to invest their disposable income (meaning monetary income after subtracting taxes and fixed payments for living expenses) in the purchase of houses, in old age care insurance, and in their children's education, and such long term consumption, as well as in social welfare endeavors. Increasing holdings of social assets, such as real estate and development of the financial assets field, both helps both soak up high income level purchasing power, and also enlivens the mechanism for converting consumption funds into accumulation funds. Dispensing purchasing power and restraining high consumption also require formulation of rational income distribution policies, and the strengthening of the individual declaration system and the individual income tax. These must be effectively enforced to allay serious social dissatisfaction with unfair distribution while protecting legal income.

Accelerated housing system reform has a bearing on different income levels, thus, it is a forceful for dispensing purchasing power, and it also helps in the formation of a new principal industry in the country, further spurring a rationalization of the consumption structure. The commercialization of housing also holds important significance in reform of the general welfare system, which is too greatly state-centralized.

In view of the current market slump resulting from the curtailment of demand, appropriate policies for guiding consumption may be adopted to convert the as yet unrealized current year normal demand and new demand from latent demand into present demand, thereby maintaining current year available commodity supply in rough equilibrium with commodity purchasing power, i.e., having a sensible area of fluctuation in the gap between supply and demand. If the current year gap between supply and demand does not go beyond this area, even should savings increase substantially, there is no need for anxiety about stimulating consumption demand.

### III. Separation of Government Administration and Enterprise Management Is a Fundamental Way in Which To Cure Current Government Financial Difficulties at Their Source

Since the 1980 trial implementation of a scalar government financial system, China has instituted various level-by-level contracting methods one after another, including "separate receipts and disbursements," "level-by-level contracting," and "dividing up different kinds of taxes, approving receipts and expenditures, and contracting level by level," as well as large scale government financial contracting. All of these reforms stirred the zeal of both the central and local governments, and outlined in a preliminary way a scalar government financial system for China. Nevertheless, reform of the government financial system also brought new problems in its wake, notable of which were the following two: First was the increasing regionalization of government financial interests. This formed the basis for the advent of

"princely economies" characterized by regional separatism, duplicative construction, and a splintering of unified markets. Second was a trend toward decline in central government primary level financial revenues as a percentage of total government financial revenues. This led to central government financial institutions having too many problems to deal with, and the loss, to a considerable extent, of macroeconomic control over the national economy.

Today we have made clear that we will make the tax division system the goal model for future government financial system reform. Problems requiring study are as follows: If attendant reforms are not made in other regards, emphasis placed solely on the division of taxes, will effective solution to current government financial problems be possible? In other words, what associated conditions must there be for the tax division system to be able both to stimulate the enthusiasm of both the central and local governments, and also not weaken central government financial macroeconomic regulation and control capabilities?

#### 4. *Regionalization of Government Financial Interests Need Not Lead to "Princely Economies"*

To lay the advent of "princely economies" at the doorstep of the regionalization of government financial interests, or even at the doorstep of the scalar government financial system is unfair. Most countries of the world practice various forms of scalar government financial systems, and all have a regionalization of government financial interests. However, in most, this does not lead to "princely economies." This tells us that the regionalization of government financial interests may be a requisite conditions for the advent of "princely economies," but it is not the only condition. Full comparison of China's economic system with the economic system of other countries readily shows one of the most distinctive features of China's economy to be that not only does the government directly own a large number of enterprises, but it is actually directly engaged in running these enterprises. Against such a background, any form of scalar government financial system must be founded on a division of enterprises' administrative subordination, this administrative subordination being used to separate the realm of central government and local government receipts and disbursements. This is bound to result in the combination of a regionalization of government financial interests and a regionalization of state-owned assets operating interests, thus shaping one after another exclusive and self-complementing regional interest blocs that consequently have a powerful protective coloration. Historically the main reason that feudal princes were able to maintain armies for their self protection and to defy the central government lay in their actual control over principle means of production. For the central government to get revenues, it can only be slavishly dependent on them.

In modern countries, particularly in western countries, governments do not own enterprises, and even when

they do own enterprises, the government does not directly operate them. This enables a change in government's jurisdiction that separates it from the running of enterprises. Under such a system, the problem of regionalization of governmental financial interests that follows in the wake of scalar government can be expressed only in each local government's striving to provide suitable living conditions and production operating conditions for residents and enterprises of the area at a fairly low cost without duplicatory construction, regional economic fragmentation, and the splintering of centralized markets. Actually, since the government basically does not own enterprises nor engage in production, it could not do this if wanted to.

In this sense, "princely economies" on the formation of complete conditions in which government directly owns enterprises and engages directly in running them. Therefore a fundamental way in which to cure this abuse at its source is the separation of government administration and enterprise management. This is a goal that was explicitly proposed at the very beginning of reform. The time has now come to take real steps to realize it.

#### *B. Establishment of a Central Government Financial Assistance Fund System Based on Project Budgets*

In approximately two-thirds of the country's provinces, municipalities, and autonomous regions, government financial receipts are less than expenditures, or they are just managing to scrape by. Were the central government's portion of tax receipts be increased from the presently insufficient 50 percent to approximately 65 percent, the foregoing situation would become even worse. This is the reason that some people frequently give in opposing an increase in the percentage of central government revenues and for establishing a system to divide up revenues.

There is no harm in taking a look at examples from other countries. In both the United States and Japan, central government revenue as a percentage of total financial revenue is approximately 60 percent, but central government expenditures (not including inter-government transfer payments) come to only 40 percent of total financial expenditures. This means that in these two countries a substantial number of local government finance departments (more than one-half) cannot balance receipts and expenditures. The shortfall in revenues has to be made up through payments from the central government. Central government payments for this purpose amount to approximately 20 percent of receipts each year. Why are things done this way? There are four reasons as follows: First, the central government bears more responsibilities than the total borne by all the local governments put together; therefore, the central government treasury must get the lion's share of total revenues. Second, the responsibilities that the central government treasury bears, it does not have to completely discharge by itself. There are many matters that it can delegate to various local governments to do. Consequently, the central government treasury has to apportion a portion

of its revenues to local governments concerned. There are many advantages in doing things this way rather than directly lowering the amount of revenue that the central government treasury receives. It enables the central government to prevent matters that have to be done from falling by the wayside. Third, the central government's levying of taxes on all economic entities according to a uniform tax code is bound to reflect the principle of fairness in tax collection. Concentrating tax revenues in the hands of the central government treasury first, and then apportioning them in a purposeful way is bound to reflect the principle of fairness in payments. In short, this way of doing things can give effective expression to the goal of a fair distribution of revenues. Fourth, the central government's control over ample revenues provides reliable financial resources for its exercise of macroeconomic regulation and control.

By examining the experiences of other countries and then reviewing events in China, we discover that requiring local governments to balance their own receipts and expenditures under the level-by-level government financial system is not realistic, nor is it necessary. This is to say that it is necessary in every case to transfer revenues among various regions in various ways.

The question is how to transfer them. To do as we are presently doing, simply robbing Peter to pay Paul, does not work. This is because this revenue transfer system is not linked to "responsibilities." Therefore, what we need to do is set up an inter-government tax revenue transfer system based on project budgets.

In short, if we want to find an effective solution to the present financial difficulties of "princely economies" and weakened central government treasury macroeconomic regulation and control capabilities, the country's financial system must be further reformed. There are four key points for reform. First is earliest possible genuine separation of government administration and enterprise management. State-owned enterprises should be turned over to the State Assets Administration for centralized administration as quickly as possible, and the State Assets Administration should become the administrative entity. It should not develop in the direction of a functional government department. Its becoming a "third Ministry of Finance" should be strictly guarded against. Second, a tax distribution system based on the dividing up of different kinds of taxes should be established as soon as possible. At the same time, the central government treasury should be assured of getting the lion's share of tax revenues. Third, either a new system should be established, or the existing tax revenue administrative system should be refashioned as quickly as possible, becoming a central tax revenue administrative system similar to the central bank system, and it should be placed under leadership of the Ministry of Finance. Fourth, a system based on project budgets should be established as quickly as possible for the inter-government transfer of revenues. [passage omitted]

Table 1



— 财政赤字(盈余)  
.... 国民生产总值指数

Key:—1. Fiscal deficit (-)—2. Fiscal surplus (+)—3. GNP index (comparative growth on moving base)—4. Financial deficit (surplus)—5. GNP

#### D. Wiping Out the Financial Deficit Requires a Long-Term Overall Arrangement

Since 1979, China's finances have been continuously in the red for the last 11 years.<sup>1</sup> The deficit has also continuously increased. For instance, in 1989 it was, including loan income, 42.335 billion yuan, making up 14 percent of all fiscal expenditure, and it persisted much the same as in the case of the United States.

#### 1. The Economic Impact of Fiscal Deficit

As a means of expanding government expenditure, the appearance or increase of a fiscal deficit will possibly allow larger expenditures by government departments. If other conditions remain unchanged, it will increase total social demand and as a consequence also affect production. That is the direct impact of fiscal deficit on the economy. On the other hand, a fiscal deficit will also always cause fluctuations to a larger or smaller degree in the currency supply, thus affecting the level of commodity prices. By these fluctuations in the commodity price level, a fiscal deficit will affect all economic operations, thus exercising an indirect impact on the economy. A study of the economic impacts of fiscal deficits may therefore by and large proceed along these two lines of reflection:

Let us first look at the relationship between fiscal deficit and the development of the national economy.

Table 1 shows in two curves the relationship between fluctuations in the fiscal deficit (surplus) and fluctuations in the GNP.

The course of the two curves in table 1 allows us to draw the following conclusions:

Table 2

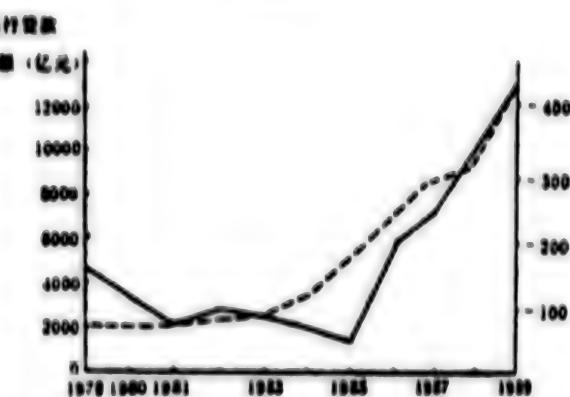


图 2 财政赤字同银行贷款总额(1979—1989)

— 财政赤字(盈余)      财政赤字(-)  
.... 银行贷款总额      成盈余(+) (亿元)

Key:—1. Table 2. Fiscal deficit and total bank loans (1979-1989)—2. total bank loans (in 100 million yuan)—3. Fiscal deficit (surplus)—4. Total bank loans—5. Fiscal deficit—6. or fiscal surplus (+) (in 100 million yuan)

In China, there is no systematic mutual relationship between the fluctuations in the fiscal revenue-expenditure differential and the country's GNP. That means, in the last 11 years of China's economic development there did not in general occur the kind of linkage that had been assumed by those who supported a deficit economy. If there occurred a deficit or the deficit increased, the economic development was stimulated; if public finance became balanced or the deficit was reduced, it had a depressing effect on the "heat" of economic development. Similarly, we find no evidence in table 1 for the assumption that fiscal deficit at any time obstructed economic development. We can therefore conclude: In China, fluctuations in the income-expenditure differential are not at all the most important factors that determine fluctuation in the development of the national economy.

Let us now look at the relationship between fiscal deficit and money supply.

The course of the two curves in table 2 reveals: During the period from 1979 to 1985, fluctuations in the fiscal deficits closely corresponded to increases or reductions in money supplies. That means, during the early period of the reform, when banks gradually ceased unconditional support of public finance, and when fiscal deficits relied mainly on the issue of government bonds for deficit coverage, there was less of the bond that has had a long history in China and that was expressed in the phrase "when public finance gets into the red, the banks will issue more money." However, as from 1986, there was again a close convergence of fiscal deficit and money

supply. This indicates that because fiscal deficits were occurring year after year, and even to an ever larger extent, the banking departments found themselves again compelled to assume responsibility to provide public finance with additional funds.

The fact that deserves our special attention is that since 1986, increases in fiscal deficits were corresponding to increases in the GNP, as well as to increases in money supplies. If this relationship is firmly maintained, China's financial policy is faced with two alternatives: if the fiscal deficit is cut down, it will be possible to retrench money supplies, but then we would possibly have to pay the price of reduced economic growth. Under the present condition when the market is weak, this situation must certainly have our utmost attention.

## 2. Causes of Fiscal Deficit

Fiscal deficit is the result of revenue being insufficient to cover expenditure, and the cause for this to happen must, of course, be sought at both sides, the revenue as well as the expenditure side.

On the revenue side, there are, apart from the administrative problem of tax revenue losses, mainly the following three causes:

1. It has not been possible to adapt the structure of fiscal revenue to the changes that have occurred in the initial distribution structure for national income and to effect prompt readjustments. Since the economic reform, great changes have occurred in the initial distribution structure of national income. With regard to the various types of economic entities, there has been a gradual increase in the proportion of income contributed by individual, collective, joint venture, and wholly foreign-financed enterprises. With regard to the various economic activities, the proportion of the tertiary industries has risen quite rapidly, and with regard to the ratio of profits and wages within total distribution there has also been a very considerable increase. Under these conditions of great changes in the national income structure (from the viewpoint of public finance it is the structure of the tax revenue), public finance has been maintaining the taxing structure of the past, namely of obtaining its revenue from state-run enterprises, from primary and secondary industries and from profits, and this can, of course, not ensure that fiscal revenue will increase more or less commensurate with the increase and growth rate of the national income.

2. Continuous decline in the economic efficiency of the enterprises. Most of China's fiscal revenue is derived from enterprises. The general and continuous decline in the economic efficiency of the enterprises was therefore bound to adversely affect fiscal revenue.

3. Under conditions of currency inflation, the tax rate, which was not progressively structured, was bound to lead to a corresponding decline in the rate of fiscal revenue. In countries with progressive tax rates, currency inflation would "automatically" have the effect of

increasing fiscal revenue so as not to fall below the increase in nominal national income. However, a tax system as structured in China allows turnover taxes to swallow up one half and is making it very difficult to apply progressive tax rates. Perhaps instituting an income tax with progressive tax rates could also allow mainly applying a proportionate system. In an environment with inflation of increasing seriousness, a proportionate taxing system would become one of the important reasons for reducing year by year the proportion of fiscal income in the national income.

On the expenditure side, there are indeed certain factors that make for a continuing inflation of expenditures.

i) Because the pricing system has for a long time remained in disarray, the economic efficiency of enterprises has generally been declining for quite some time, while fiscal subsidies have increased tremendously. Taking only the year 1989 as example, price subsidies and subsidies to unprofitable enterprises reached 97 billion yuan that year, while the fiscal deficit was only 42.3 billion yuan, thus the former figure amounting to over double the latter figure. We have to say here that the tremendous increase in fiscal subsidies is the major cause for the fiscal deficit.

ii) Maintaining regular operations of all government agencies during times of inflation makes it necessary to increase all their running expenditures in proportion to the rate of inflation; this is one general cause for the fiscal deficit.

iii) Inordinate inflation of the government's administrative expenses. Since 1979, the following three items showed the fastest rise in expenditure among the 11 major items of fiscal expenditure: (a) culture, education, science, defense, (b) debt services, (c) government administration, and then among these again, expenditure for government administration accounted for the largest proportionate increase. In 1979, it accounted for 4.5 percent of fiscal expenditure, but by 1989 it had even risen to 9 percent. The huge inflation of this item of expenditure is definitely responsible for driving public finances into the red.

## 3. Mitigating Adverse Effect of Fiscal Deficits

It is quite possible that fiscal deficits will for a long time be part of China's economy life, and that it will, furthermore, be necessary for us—having now this background of a weak market—to rely to a certain extent on deficits to substitute for the unsatisfactory demand from our microeconomic entities. Even if the problem of weak markets will be solved in future, it may still be necessary for us to use deficit financing to raise funds for investment construction for our social infrastructure. In view of this, it is our opinion that what needs to be done now is to mitigate the adverse effects of fiscal deficits, and, most importantly of course, to lessen the general inflationary effects of the fiscal inflation.

The inflationary effect of the fiscal deficit manifests itself through the mechanism of pressures on the currency departments to increase money supply, in the words of a well-known old saying: "When there is a fiscal deficit, the banks will issue more money." The most direct and most succinct way of breaking away from this linkage is to break up the connections between the subsidy mechanism within the fiscal deficit and the money supply mechanism, which means that whenever a deficit occurs in public finance, the banks should strictly refrain from providing overdrafts or loan facilities, so that public finance will have to completely depend on the methods of issuing bonds, either domestically or abroad, to raise the necessary funds to cover its deficit.

To facilitate the government's fund raising and to properly manage the bond market, and, going more deeply into the question, to have the two macroeconomic administrative branches, the organs of public finance and the banking institutions, effectively cooperate in the complete implementation of the macroeconomic policies of the state, we propose to start using a tool which has long been discussed but so far never tried out: open market operations.

By open market operations we refer to having the central bank openly sell and buy government bonds in the money market, having it regulate correspondingly the total basic amount of currency it will supply, and furthermore to have it activate state policy by regulating the total volume of money supply. Using this tool will have the following four advantages: First, since government bonds will actually become reserve assets for currency issue, its market absorption capacity will greatly expand, and faith in the currency will also be raised. Second, the central bank will mainly rely on issuing and recovering government bonds to increase or reduce the supply of basic currency, its manipulation of policies to control currency supply will then do without the rigid restraints created by unsecured credits, and, as a consequence, will gain greater flexibility. Third, in open market operations the two large sectors, public finance and the banks, must closely cooperate and regularly confer with each other. This will be beneficial to overcome onesided attitudes by either of the two sectors, and will also be beneficial for the prompt control and resolution of macroeconomic contradictions in the supply and demand of funds. Fourth, adopting the means of open market operations will in future motivate public finance, banks, and even planning departments to institute a series of reforms. This will in future spur us on to take a decisive step toward the objective of a macroeconomic regulatory system that will integrate planned economy with market regulation.

Naturally, if we shall start to use this policy tool, the two large sectors, public finance and the banks, must carry out certain preparatory work. On the side of public finance, short-term bonds shall be issued to recover the long-term bonds that have already been issued, to provide open market operations with an appropriate bond structure. On the side of the banks, it is necessary to

perfect as quickly as possible an indirect regulatory system of controlling total money supply by controlling basic currency. Besides, it will also be necessary to newly establish or to transform certain existing monetary entities into security companies that are to specialize in the trading of government bonds, etc. It will of course not be possible to accomplish all these tasks in one move, but if only the government will make up its mind, it would not be difficult to set up the framework within not too long a period of time.

#### *E. The Critical Point in Preventing the "Tiger" From Breaking Out Is To Raise the Efficiency of Loans*

Last year, savings by China's urban and rural population for the first time broke through the high borderline of 500 billion yuan. Since the start of this year, there is no letup in the rising trend of deposits, and up to the end of May, there was another increase of 87.9 billion yuan over the preceding year in savings deposits from the urban and rural population.

A situation like this has never been experienced before. To accurately understand this phenomenon, and to take appropriate measures to cope with it, is an important problem with which we are now faced.

#### 1. With an accurate concept of total money supply, we must understand the mutual interchanges of cash and deposits.

Most people now agree that to measure China's money supply it is necessary to apply a certain group of indices, and the most important of these is the total amount of bank deposits added to the total cash in circulation. If we decide on this kind of a money supply concept, all shifts from deposits to cash and from cash to deposits will have to be regarded as fluctuations in the composition of the money supply. As long as the total amount of money supply is commensurate with the demands of the development of our national economy, fluctuations in the composition of the money supply will not engender important adverse effect on macroeconomic operations. Viewed in this way, to cry out in alarm that cash flowing out from banks is "circulation extraneous to the system," and to be afraid that cash flowing back into the bank is "caging a tiger," show attitudes that not only must be condemned as making a mountain out of a molehill, but are also ideas that contain mutual contradictions in their theoretical foundation. Briefly, viewed under the aspects of macroeconomic management, what we must strictly control is the total volume, cash with the addition of deposits.

#### 2. Accurate Treatment of Deposit Increases

The main reason why people now express various apprehensions about the increase of deposits is that the depositors might suddenly withdraw large amounts of money. Although we may say that from a macroeconomic viewpoint, and as long as the total amount of money is under control, switches from deposits to cash (withdrawal of cash) will not present any major problem.

however, speaking of conditions in China, it is still so that large-scale withdrawals of deposits must also be given attention.

We must first of all gain a historical understanding of the structure of money supply in China. The following table provides data for the last few years:

|   | China's Money Supply and Its Structure (1985-1990) |         |         |         |                               |  |
|---|--|---------|---------|---------|-------------------------------|--|
|   | 1985   | 1986    | 1987    | 1988    | 1989 (figure at end of April) | 1990 (figure at end of fourth quarter) |
| Deposits of all kinds                       | 4273.03  | 5381.87 | 6572.03 | 7425.62 | 9013.85                       | 9911.87                                |
| Circulating currency                        | 987.83   | 1218.36 | 1454.48 | 2134.03 | 2344.02                       | 2129.69                                |
| Total                                       | 5260.86  | 6600.23 | 8026.51 | 9559.65 | 11357.87                      | 12041.56                               |
| Percentage of circulating currency to total | 19   | 18      | 18      | 22      | 20                            | 19                                     |

This table reveals that tremendous changes occurred in 1988 and 1989 in the structure of China's money supply, and that conversions into cash had been a conspicuous problem. In 1990, things reverted to the normal level of 1989. The reasons for the conspicuous increase in the proportion of cash in 1988 and 1989 is generally well known. At that time, there was an extremely rapid development of private enterprise, and various trading companies also sprang up "like bamboo shoots after a spring rain," while trading and payments by these economic entities were mainly in cash. In 1990, the movement to improve the economic environment and rectify the economic order began to show results, as many trading companies closed, and the overheated economy cooled down. With this situation in the background, the ratio of cash dropped considerably as compared with the preceding two years, but it still remained on the level of normal years. We have to say that the present abrupt increase in deposits is actually a rectification of the abnormal phenomenon of abrupt increases in cash during the preceding two years, there is almost nothing abnormal in the present situation.

### 3. The Crucial Point is Raising the Efficiency of Loans

Banks are intermediary organs of finance. As long as loans can be recovered in time and in full amount, and the total interest derived from the loan exceed the total amount of interest that have to be paid for deposits, the bank will be able to efficiently continue its activity as an intermediary organ of finance. Under these conditions, sharp increases in deposits not only are nothing to be concerned about, but are actually a most welcome happening.

We may still observe another aspect of the bank acting as intermediary organ of finance. Cash and deposits are both equally a responsibility of the banks; they both constitute the source of funds for the bank's loans. At the same time, cash and deposits together constitute the total money supply for the whole society. Currency circulation continuously forms social demand, and the product of money supply and its rate of circulation make up total

social demand. On the other hand, banks grant and recover loans, which stimulates productive activities, as well as signify the formation of demand. Based on this connection, the activities of banks as financial intermediaries are closely linked with the formation of total social supply and demand and their interrelationship. If bank loans are truly linked with real productive activities, it will be possible to recover the loans in full. Under these conditions, activities of banks as financial intermediaries will not be a factor that leads to currency inflation.

We see from all this that in order to prevent a harmful impact on the economy by a sudden rise in deposits, it is decisively necessary to raise the efficiency of the loans. Efficiency of loans, as referred to here, mainly implies two things: first, that all loans must be linked to actual production and trading activities; second, that long-term and short-term loans must be in appropriate proportions to each other. On the other hand, if a considerable proportion of a bank's loans is used on rescuing enterprises whose existence is economically no more justified or for products of which purchases would no more constitute economically efficient supplies, the consequences could be disastrous.

### *F. Determining the Opportune Time for Price Reform*

When analyzing the economic situation, many comrades assert that "now is the opportune time for price reform." An assessment of such significance for the overall situation requires a most comprehensive discussion.

Main reasons for the above assertion are: After the movement of improving the economic environment and of rectifying the economic order, which has lasted for over a year, the supply-demand relationship has eased up, price indices have come down, and for some products supply exceeds demand, resulting in a weak market. During the period from January to May of this year, retail market prices rose by a monthly average of 3.5 percent, which was appreciably lower than the 26 percent during the corresponding period of last year, and is

the lowest rise since the same period in 1985. The rise of ex-factory prices and procurement prices of industrial products has also fallen for the first time to below 10 percent. The supply-demand relation in the market has shown a rare relaxation, and this has created a favorable market environment for price reform. Now is indeed a good opportunity to carry out price reform. The reasons are: 1) Under conditions of a relaxed supply-demand relation, the costs that have to be paid for price reform are comparatively low, because the rise in the overall price level that will be created by price reform will not be too high, and the shock to society correspondingly mild. 2) Price reform will be easier as long as we are still determined to carry on with such policies as improving the economic environment, rectifying the economic order, and deepening the reform. Because we have now basically accomplished volume retrenchment and because credit has been loosened up, a further retrenchment of volume or greater loosening up of credit would all be very difficult to expect. A readjustment of the industrial structure can also not be accomplished within a short time. At the same time, conditions are not yet ripe for a comprehensive deepening of the reform, while among all the various reform projects, price reform alone is highly dependent on the supply-demand situation, and it is for this reason that it should be brought up and firmly taken in hand at this favorable opportunity. 3) Under the present conditions of a relatively relaxed supply-demand relation, carrying out price reform will exercise the least amount of pressures on state finances. One objective of price reform is reducing the state's financial price support for certain products, and in the course of price reform, price subsidies will frequently go through stages, moving from "hidden" to "open" subsidies, and then to complete abolition. During the progression from "hidden" to "open" price subsidies, their amounts will frequently be determined by the market price differential. The lower this differential is, the lighter will be pressures on the state's finances, and now is a time of very low market price differential. This is one side, the other is that if price adjustments are made now on products for which plan prices must be raised, the state's financial expenditure will be comparatively less. Apart from this, an appropriately higher price level set in the course of price reform will be beneficial for increasing revenue for public finance. 4) Looking at the medium- and long-range supply and demand development, the state of total demand exceeding total supply will be hard to change. The overall supply-demand situation, as we have it now, has been created by the extremely forceful and effective movement of improving the economic environment and rectifying the economic order. It is a situation that is not stable and can very easily vanish. The present opportunity must therefore not be lost, as it may never return. This is indeed the right opportunity for price reform. 5) Price reform could infuse a certain vitality into the enterprises, rendering them market-oriented in their business operations. At present many enterprises lack motivation for development and stagnate in a wait-and-see attitude, intent only on self-preservation. This is poor economic efficiency.

Price reform can give the enterprises a clear signal and spur them on to further advances on the road of reform, as it also can enable the enterprises to gain a certain measure of autonomy for market-oriented business operations. 6) Rectifying market order in the sphere of circulation and dispelling expectancy of further price rises in the minds of the masses are also facts that enhance the opportunity for price reform. 7) Carrying out price reform now will also have benefits on the international scene, as it will dispel doubts as to whether China will persevere in its reform. It is well known that price reform is the key in the reform of the economic system. In a certain sense, it is also the most distinctive manifestation of the reform. At the present time, when world opinion is usually proclaiming suspicions and doubts, promoting price reform would be extremely valuable. It would be beneficial to induce lifting of the so-called "economic sanctions," also for the expansion of economic interchanges with other countries, and for obtaining foreign loans. 8) Of course, the mentioned "opportunity" is also a relative affair. Price reform may also be seen as merely selecting and seeking an integrated balance between the two factors that create instability, namely unemployment and price rises.

At the same time as we point out that the present is a good opportunity for price reform, we also wish to point out another aspect of the problem, namely that it is necessary to fully appraise the limitations of any price reform in the near future. During the past 10 years of price reform, we have gained an extremely valuable experience, namely the extreme importance of the composite nature of reform. Reform has proven in the course of its practice that to think of price reform as the "breakthrough point" leading to the reform of the economic structure is accurate in an extremely limited sense or "space-time"-wise, and that without being supplemented by reforms in other areas, price reform all by itself cannot be successful. As reforms in other areas are for the time being, difficult to achieve, pursuit of price reform will have its limitations in the near future, it will not be comprehensive and will not be conducted in great strides. If we will again consider the medium- and long-range supply and demand situation and the inflationary factors of demand inherent in our developmental tendency, it appears even more necessary to proceed with great caution. To avoid large deviations in the actual operations of price reform, it is necessary to make general arrangements with regard to the objective and pursuit of price reform in the near future, and to proceed in stages, taking every aspect into account, and do so methodically.

#### *G. Feasibility of Instituting Safeguards for Unemployment*

The progress of price reform makes it imperative to effect a comprehensive change in the conventional "centrally undertaken and centrally allotted" labor management and enterprise employment systems, while the labor contract system and the general improvement in the composition of the labor force are bound to result in

large-scale unemployment. The satisfactory solution of the unemployment problem will bring about long-term economic growth and social stability. Otherwise, it is likely to create social unrest and to upset economic development. According to our analysis, apprehensions in this respect are concerned mainly with three areas: first, political stability; second, economic strength; third, psychological tolerance of the masses, and the core of these three factors is whether there are sufficient funds that may be used as safeguards for unemployment, a matter about which the government is most concerned.

The required amount of an unemployment safeguard fund is determined by the following two factors. First, the scale of unemployment. In present-day China, unemployment refers mainly to staff and workers from bankrupt enterprises, staff and workers who, in the course of the movement for improving the economic environment and rectifying the economic order, were dismissed from enterprises that had been on the verge of bankruptcy, workers from enterprises that had been terminated, workers whose labor contracts had been terminated, or staff and workers who have resigned or retired from enterprises. Up to the end of 1989, 136,000 persons had registered as "awaiting employment" throughout the country. There are additionally, most conservatively estimated, 20 million redundant personnel, who will, after reform of the labor system, join the ranks of the unemployed, to which figure must also be added another million of those among the newly upcoming labor force who cannot find employment. The total number of Chinese unemployed will reach as high as 21-22 million people. Second, the average level of unemployment relief. At present, unemployment relief in China amounts to 60 to 75 percent of standard wages, which is about 40 percent of an employee's salary or a worker's wage, the average absolute amount being under 40 yuan. This level is obviously very much on the low side. Internationally, the lowest level of social relief is 50 percent of the original pay, while the purpose of instituting an unemployment relief fund is to provide for the worker in such a way that he will be able to find new employment, it should be higher than social relief money but lower than his original salary or wage. According to investigations by statistical departments, an urban citizen requires on the average 75.5 yuan as living expenses, which takes up more or less 50 percent of the average income of an employee or worker. We therefore believe that unemployment relief money should be 60 percent of an employee's or worker's original pay (the international standard is 60 to 80 percent), which would have the absolute figure at 80 to 85 yuan. Deducing from the above-mentioned two indices, we see that if China carries out large-scale improvements of its labor composition, it would require an unemployment safeguard fund of annually 20.64 to 21.93 billion yuan.

An answer to the question of whether China can raise an unemployment relief fund of 22 billion yuan will directly determine the economic feasibility of reforming the labor system. China has so far raised an unemployment

safeguard fund of merely around 1.4 billion yuan, which is quite out of proportion to the unemployment contingent that can be expected. According to the present state of the country's finances, it is almost impossible to allot further money, but that does not preclude the search for other ways. We shall thus make another calculation. The fiscal subsidies since 1979, such as price subsidies and subsidies to unprofitable enterprises have amounted to a total fiscal subsidy in excess of 500 billion yuan, which was more than 30 percent of the total fiscal expenditure for the last 10 years. In this sum, the single item of subsidies to unprofitable enterprises in 1988 amounted to 44.583 billion yuan, which was 16.7 percent of the total fiscal expenditure, while most of these subsidies went to individuals who were redundant personnel in enterprises (figuring the annual income of a redundant person at 2,000 yuan, the total amount for 200 million redundant persons would be 40 billion yuan). It shows that the fiscal subsidies to unprofitable enterprises was actually to a large extent for "relief money" to "on the job" unemployed people, enabling unprofitable enterprises to avoid bankruptcy and making it impossible to raise enterprise efficiency as well as social economic efficiency. If the government would utilize this favorable opportunity of a bearish market to weed out those high-consumption, low-efficiency, and outdated enterprises, institute optimal labor composition, and use one-half of its subsidies and tax reductions and exemptions granted to unprofitable enterprises to solve the problem of relief for the unemployed, it would mean not only an increase in fiscal revenue, throwing off an economic burden, and even providing much scope for the restructuring of the enterprise system. If it were also considered to throw in all price subsidies and several billions of recently granted short-term loans, there would be enough funds and even more than needed for unemployment safeguards. This method of merely changing the direction in the flow of fiscal subsidies, without increasing fiscal expenditure, is absolutely feasible from an economic standpoint.

The psychological tolerance of the masses in regard to unemployment is also an important factor that will have a decisive effect on our political and social stability, and will have to be given utmost attention in the reform of the labor system. China now has over 78 million employees and workers in jobs. Calculating at the most conservative scale of 10 million man-times of unemployed, the unemployment rate will be a little over 12 percent, while according to the computations of relevant departments, the psychological tolerance of the people regarding unemployment would only be up to an unemployment rate of five percent. This explains that the tolerance of the Chinese masses for unemployment is very fragile. It is therefore necessary that while we institute relief for the unemployed, the governments at all levels and relevant departments must exert even more efforts to create new employment opportunities. We propose: 1) Adjustment of the enterprise structure, especially a broadening of the tertiary industry and increasing their employment capacity. According to computation by a relevant

department, if investments of a nonproductive nature are increased 3.6 percent, the unemployment rate could be reduced by one percent. There is still great potential in China in this respect. 2) Providing work as a form of relief, organizing surplus personnel for work on public works and public construction projects, and reducing the scale of unemployment. The state and relevant departments can do the specific arrangements for such work. Unemployed who accept centralized assignment and work on public work projects may receive the full amount of their former wages and time worked on such projects shall be added to their work seniority. 3) Continuing to implement the "three-in-one" combination as employment principle and expanding the scope for reemployment for the unemployed. 4) Expediting the development of labor markets, establishing professional training centers of every form and having the organizational structure for the supply of labor conform to the changes in the labor demand structure, and as much as possible reducing unemployment of a structural nature.

#### *II. Analyzing the Relationship Between Exports To Stimulate Domestic Economy and Domestic Reforms To Promote Foreign Trade*

Focusing on the present situation in our domestic market, some people have proposed to stabilize domestic demand and expand exports, having foreign trade stimulate the domestic economy and thereby help economic development. This line of thinking has inspired some people and has added an alternative policy that would allow an escape from our predicaments. However, this line of thinking must not be carried through so far as to become an absolute, as it will then become unfeasible. By not becoming an absolute we mean to say that we must not only consider its significance for the expansion of our exports under present conditions, but must also be aware of the limitations in our capability for export expansion and of the effects of such expansion. We must at the same time integrate the two, namely having exports stimulate the domestic industry and having reform of our domestic industry promote export trade, and base our economy firmly on the principle of having the reform of our domestic industry promote foreign trade.

By now, the favorable conditions and the important significance of export development have become general knowledge. We shall discuss here only the unfavorable factors in any export expansion. We have to recognize that the expansion of exports against the background of an incomplete reform of China's economic structure will still rely on the government to provide the main impetus for exports. In the pet phrase of the foreign trade departments, earning foreign exchange is more or less determined by the policy "whether U.S. dollars or RMB are considered more desirable." For this reason, the better the government's financial situation, the stronger the urge to export, and the faster the growth of export trade. Conversely, the opposite would be the case. It is very obvious that in its present financial situation China cannot tolerate an inordinate increase of its imports, but

can also not tolerate a steep increase in its exports. In expanding exports, it is therefore not only a question whether China still has potential for more export production, but also a question whether China can capture a share of the trade in the international market and can adapt to the changes in demand in the international market. It is absolutely necessary to recognize that the competitiveness of Chinese products in the international competition is low, quality and after-sale services for products are still comparatively weak, and there is much room for improvement. Because many of China's export products enjoy state export subsidies, they have frequently become the target of antitrust actions by developed countries. In international relations there are also some noneconomic factors active which prevent expansion of China's exports. Furthermore, it has not yet been possible to make China's domestic market a part of the free international market, and in many respects Chinese imports and exports are still subject to quantitative restrictions (such as permit systems) to protect China's national industries and to protect China's domestic markets. Under these circumstances, expansion of exports will meet up with corresponding trade barriers. Moreover, if we consider that China's domestic pricing system has not yet been straightened out, consider China's irrational foreign exchange rates, and the most abnormal state of its domestic market regulation, then what could justify the allocation of our resources in a foreign-trade oriented direction? Under the present conditions, when funds are preferentially directed toward energy sources, communications, the heavy and chemical industries, do we have a situation that would ensure sufficient funds for our export and exchange-earning industries and enterprises (many being light and manufacturing industries)? Finally, if we relate this to the fact that Chinese exports have increased with considerable speed in recent years, that the amount of China's export trade accounts for a considerable proportion of the country's GNP, a proportion which in 1987 had already reached the high rate of 27.9 percent, attaining the level of developed countries, then we can realize that it would present considerable difficulties if we were to try this foundation to further expand exports with large strides and to make such efforts the core of organizing the country's domestic economic development.

It is therefore necessary to integrate the two: having exports stimulate the domestic economy and having the domestic reform promote foreign trade, and to base ourselves firmly on the principle of having reform constitute the foundation for expansion of foreign trade. China is a large country with a population of 1.1 billion, converting China's economy into a foreign-trade-oriented economy must not be rushed. Without a deepening of the reform, a solution of the problems in the relationship between the state and the export enterprises, solution of the problem of enterprise autonomy in business operations and relaxation of restrictions in financial matters, it will not be possible to form a powerful export base in which the export initiative of the

enterprises will be the dominant factor. Without deepening the reform of the foreign exchange system, expansion of exports cannot possibly be liberated from the fetters of fiscal subsidies. Without further pursuing the reform of the pricing system and by allowing the rift between domestic market prices and international market prices to continue, it will not be possible to effect a continuing improvement in the international competitiveness of Chinese export products. In sum, expansion of exports is of important significance, but it must be done in appropriate measure and in harmonious coordination with the other areas of opening up to the outside world and in harmony with the country's financial capacity. The shift to a foreign-trade-oriented economy must be undertaken cautiously, in a planned manner, and in stages. It is only through reform of the domestic economy, and after establishing favorable conditions, that it will be possible to effect a fusion of domestic and foreign markets, and only at that time will it be possible to achieve a higher level of export expansion.

**Postscript:** Our teacher Zhang Zhuoyuan [1728 0587 0337] has afforded us his guidance in the selection of the topic and as to the content of our article, and comrade Liu Rongcang [0491 3310 3318] has participated in the discussions and contributed valuable ideas, to both here-with our thanks.

#### Footnotes

1. See Sun Yonghong [1327 3057 4767]: "Positive Study of Total Investment in China From 1979 Through 1988," *JINGJI YANJIU* [ECONOMIC RESEARCH], No. 4, 1990.

2. See Wang Xiangpin [3769 4161 0756]: "China's Monetary Policies and Their Implementation," *JINGJI GONGZUOZHE XUEXI ZILIAO* [ECONOMIC WORKERS' STUDY MATERIALS], No. 9, 1990.

3. According to the current method of calculating fiscal income and expenditure, China had a financial surplus in 1985, but if loan income is considered a debit item, then 1985 is also a deficit year.

#### Provinces Set Up Joint Economic Establishments

OW131206:190 Beijing XINHUA Domestic Service in Chinese 0941 GMT 10 Dec 90

[By correspondent Ma Jianxin (7456 2450 1696)]

**[Text]** Changsha, 10 Dec (XINHUA)—Coordinated efforts have been made to remove regional barriers and to set up various forms of integrated economic establishments in adjacent border areas of Hunan, Hubei, Jiangxi, Sichuan, and Guizhou Provinces, alleviating the "difficulty of buying goods" and promoting local economic development.

The main forms of integrated economic establishments set up in the adjacent border areas of the five provinces are as follows:

Integrated economic establishment groups have been set up. Hunan's Xiangxi Autonomous Prefecture, Hubei's Esi Autonomous Prefecture, Guizhou's Tongren Prefecture, and Sichuan's Qianjiang Prefecture successively have set up a group of big and medium-sized enterprises dealing in industrial products, a tea production and marketing group, the Wuling Tung Oil Enterprise Group, and the Wuling Technological Development Enterprise Group for Production and Processing of Chinese Chestnuts in adjacent border areas of the four provinces. Such groups cooperate with one another in technology, personnel, and funds. Since the beginning of this year, the group of big and medium-sized enterprises dealing in industrial products alone has signed trade contracts worth 56.6 million yuan with enterprises in Shanghai, Zhejiang, and other more developed areas, and contracts worth 31 million yuan have already been fulfilled. On the principle of mutual benefit, this group sells goods for other enterprises on a commission basis and makes payments to the latter by installments. In addition, various forms of integrated economic establishment groups have coordinated with one another in selling lumber, grain, chemical fertilizer, as well as farm, sideline, and local special products, totaling more than 60 million yuan this year. They also have coordinated in procuring about 29.5 million yuan of food grains such as wheat and rice, machinery, electrical appliances, and other materials.

Joint efforts have been made to develop border markets. This year, Hunan's Yueyang City has set up more than 360 border markets with 13 counties of Jiangxi Province. By the end of October, those border markets have jointly held more than 120 meetings to place orders for goods, trade fairs, exhibitions and sales, and products appraisal meetings. Through those border markets, 230 million yuan of farm and sideline products and 160 million yuan of industrial products have been sold, thus alleviating "the difficulty of selling products."

Prices are jointly regulated and controlled. The seven counties of Hunan Province's Linxiang, Hubei Province's Puqi, Honghu, Tongcheng, Chongyang, and Jianli, and Jiangxi Province's Xiushui set up a "border price coordination and control committee" in August of this year. This committee exercises joint control over prices in the border areas. Uniform prices for products of the same variety along the borders of those counties are set through coordination and consultation. Such relevant provinces inform each other of their pricing measures before implementing them. Wholesale and retail prices set by commercial establishments which procure goods from adjacent border areas of other provinces should be the same as those in such adjacent border areas. In procuring farm and sideline products in particular, all commercial establishments must follow the state procurement policy and must not raise prices at will or rush to procuring commodities.

Forest resources are jointly managed. Hunan's Linxiang County has a 24-kilometer forest boundary line with Hubei's Tongcheng, Jianli, and Puqi counties. With a

total of 8,800 mu of forests, the four counties have decided through consultation jointly to manage their forests. One of the ways to do so is to set up "integrated forest farm," with the participation of peasant households and collective forest farms of these provinces, forests are protected through joint efforts. There are now eight integrated forest farms consisting of 10 collective forest farms and 210 peasant households. Another way is to set up interprovincial forest farms by letting participants become shareholders. Through consultation, forest mountains contracted by peasant households and collective forest farms are divided into shares according to the amounts of their forest resources. Such forest mountains and collective forest farms are collectively managed. Since the beginning of this year, 124 peasant households have become shareholders of seven collective forest farms.

## PROVINCIAL

### Henan Reports Rapid Development 1986-90

HK1412121990 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 11 Dec 90

[Excerpts] According to statistics released by the provincial statistics bureau with regard to our provincial social and economic development in the Seventh Five-Year Plan period, between 1986 and 1990, along with the gradual implementation of policies of reform and opening up, Henan witnessed great changes in economic and social life and in other aspects. [passage omitted]

Total grain output exceeded 33 million tons, reaching an all-time high. [words indistinct] Import and export trade volume reached \$4 billion, of which exports accounted for more than \$3.5 billion, representing a 240-percent increase over the Sixth Five-Year Plan period. In the five-year period, our province made use of nearly 300 million yuan of foreign funds and approved 115 foreign-invested projects.

During the Seventh Five-Year Plan period, the livelihood of the people also witnessed fundamental improvement with the per capita living expenditure of urban residents increasing at an annual rate of 6.4 percent and peasants' per capita income increasing at 8.7 percent. [words indistinct]

### Jilin Hosts Forum on Enterprise Supervisory Work

SK1212020290 Changchun Jilin Provincial Service  
in Mandarin 1030 GMT 11 Dec 90

[Text] Who would have thought that enterprise supervisory work would have been so comprehensively carried out and such noticeable achievements and experience realized? This was the unanimous reaction of comrades attending the provincial forum on supervising the administrative work of enterprises recently held in Jilin City. After the third plenary session of the 11th CPC Central Committee, particularly since the restoration of the enterprise administrative

supervisory work advocated by the state in 1987, enterprises across the province have successively established administrative supervisory organs. In close connection with production and management activities, these organs have comprehensively carried out all sorts of supervisory work and scored noticeable achievements. As of the end of this October, the enterprise supervisory organs across the province had accepted 2,294 clues of various descriptions for solving law and discipline violation cases, filed 1,302 cases for investigation, punished 801 persons in line with administrative measures, sent 148 persons to judicial organs, and recovered 22.13 million yuan for the state. The enterprise supervisory organs across the province have also actively conducted law-enforcement supervisory work in close connection with enterprise production and management activities, helped enterprise party committees, plant directors and managers promote administrative honesty, formulated stipulations for honest administrative performance and the system of making public work procedures and results of work and placing administrative work under mass supervision, employed enterprise administrative practice and discipline supervisors, and carried out education on performing official duties honestly and on observing discipline and law, maintained close relations between cadres and the masses, and strengthened enterprise cohesion.

Wu Yixia, member of the Standing Committee of the provincial party committee, and vice provincial governor, addressed the provincial forum on supervising enterprise administrative work. He fully affirmed the achievements in enterprise administrative supervisory work and called on party committees and governments at all levels and party and administrative leaders of enterprises to clearly understand the situation and further enhance their sense of responsibility for successfully carrying out enterprise administrative supervisory work, realistically strengthen leadership over the work, care for and support the work, give support and assistance to investigating and handling cases, and create a good environment and conditions for supervisory organs to carry out their work smoothly. In addition, he also called on them to make continued efforts to strengthen the self-cultivation of the ranks of supervisory personnel, strive to enhance their political and professional levels, and unceasingly improve the administrative supervisory work of enterprises.

At the forum, 16 units introduced their experiences in carrying out enterprise administrative supervisory work.

In his speech, Yu Weizhi, director of the provincial Supervision Department, summed up the meeting.

### Xinjiang Economy Advances During 7th 5-Year Plan

OW3012002890 Beijing XINHUA Domestic Service  
in Chinese 0124 GMT 23 Dec 90

[By reporter Wang Youfu (3076 2589 1381)]

[Text] Urumqi, 23 Dec (XINHUA)—During the period of the Seventh Five-Year Plan, the Xinjiang Uygor

Autonomous Region developed its national economy in an all-around way, overfulfilled the main economic targets, and markedly improved its overall economic strength. According to estimates by the regional departments concerned, this year the gross national product of the region may reach 13.5 billion yuan, an increase of 46.8 percent over 1985. National income may reach 10.9 billion yuan, a rise of 43.5 percent, and gross output value of industry and agriculture may top 20 billion yuan, up 62 percent.

During the period of the Seventh Five-Year Plan, Xinjiang placed its focus in industrial production on the development of such important industries as energy, communications, light industry and the textile, building material, and metallurgical industries. During the five years, the regional gross output value of industry has been growing at an average rate of 11.2 percent annually, fulfilling target set for the Seventh Five-Year Plan by 1989. It is estimated that the region's output quotas for raw coal, cloth, and electricity set in the Seventh Five-Year Plan will be overfulfilled by the end of the year. Output of woollen fabric, knitting wool, woollen blankets, leather products, daily necessities, foodstuffs, television sets, and other products essential to the people's livelihood have all increased by a relatively big margin.

During the period of the Seventh Five-Year Plan, Xinjiang has further strengthened agriculture as the foundation of the economy, reaping one good harvest after another. In 1990, the regional gross output value of agriculture is expected to reach 7.28 billion yuan, up 50 percent over 1985 and showing an average annual growth of 8.6 percent. Output of grain, cotton, oil crops, and meat is all expected to attain the targets set for the Seventh Five-Year Plan. At present, per capita grain in Xinjiang ranks seventh in the country; cotton, first, and oil crops, third.

With the active support and assistance of the state, Xinjiang has invested 14.8 billion yuan in capital construction, and the total value of fixed assets increased by 12.3 billion yuan during the Seventh Five-Year Plan, an increase of 73 and 87.8 percent, respectively, over the Sixth Five-Year Plan. Among the 31 large- and medium-sized key projects launched during the period that have been completed and put into operation or are still under construction are: the No. 1 and No. 2 100,000-kw generating sets, the largest in the region, in Manas Power Station; the Beijiang Railway, which would become a major component of the second Asia-Europe continental bridge; Hezler reservoir, with a storage capacity of 640 million cubic meters, the largest water conservation project in the region; the Ewirgol Coal Mine, with an annual capacity of 600,000 tons; the Dashankou hydroelectric station; the polyester project at Urumqi Petrochemical Plant; and exploration and development of Xinjiang's oil resources. The region's capacities for power generation and coal and crude oil production, as

well as output of chemical fertilizer, cement, and machine-processed sugar, have all showed notable increases.

The production growth and the economic prosperity have brought substantial material benefits to both urban and rural residents. In the past five years, per capita net income of urban residents and peasants has increased by an average annual rate of 12.8 percent and 9.5 percent, respectively. The total balance of the savings deposits of urban and rural residents has reached 12.7 billion yuan, showing a net increase of 9.35 billion yuan over the last five years.

The increase in Xinjiang's economic strength has laid the foundation for development in the future. It has been learned that during the Eighth Five-Year Plan, Xinjiang will further speed up its pace of reform and opening up to the outside world and bring about a take-off of the national economy as early as possible.

## INDUSTRY

### Textile Industry Meets Domestic, Foreign Demand

OW/14/200390 Beijing XINHUA in English  
1557 GMT 14 Dec 90

[Text] Beijing, December 14 (XINHUA)—The total output value of China's textile industry is estimated to reach 134 billion yuan this year, up 53 percent over 1985.

An official from the Ministry of Textile Industry reports that main textile products can now meet the market demand both at home and abroad. The output of cotton yarn and cloth, as well as silk and silk products now ranks first in the world.

XINHUA has learned that a large increase in production of chemical fiber is expected during the Seventh Five-Year Plan period (1986-1990). Estimates are that China will produce 1.56 million tons of chemical fiber this year, an increase of 64.2 percent over 1985, and an amount that will rank the country fourth in the world.

The ministry official said that China will produce 3.2 billion pieces of clothing this year, an increase of 2.5 times over 1985. This year's increase in the production of ready-to-wear clothing will reach 40 percent, up 14 percent over 1985.

Statistics show that China's textile industry introduced an average of over 10,000 new products and styles to the market each year from 1986 to 1990.

The official said that China has made rapid progress in developing non-cotton products, and linen and wool fabric. He added that China will soon be capable of producing over 100 million meters per year of imitation silk made from chemical fiber, and that the quality will exceed that of imported products.

Information released by the Ministry of Textile Industry shows that the country's per capita consumption of fiber will reach four kilograms this year, up by 0.8 kg over 1985. China's per capita consumption of fiber exceeds the levels in most developing countries.

In addition, export of textile products and garments this year is expected to earn 13.6 billion U.S. dollars, up 1.57 times over the 1985 figure.

The official said that the textile industry has earned the country its greatest amount of foreign exchange for the last five years.

### Achievements Reported in Textile Industry

OW1812111290 Beijing XINHUA in English  
0741 GMT 18 Dec 90

[Text] Beijing, December 18 (XINHUA)—China's per capita cloth consumption will reach four kilograms this year, a 25 percent increase over 1985 and higher than the average level in developing countries.

Today's Overseas Edition of the "PEOPLE'S DAILY" reports that the increase is the result of a series of reform policies including readjustments in investment, product structure, and technology, and to the promotion of scientific and technological development in the textile industry during the Seventh Five-Year Plan (1986-1990).

The Chinese textile industry has developed over 10,000 new varieties and products for the domestic market each year during the period.

Statistics reveal that the total production value of the textile industry will reach 1.34 billion yuan in 1990, a 53 percent increase over 1985.

It is predicted that during 1990 China will 17.5 billion meters of cotton cloth, 200,000 tons of wool, 240 million meters of wool fabrics, and 49,000 tons of silk. China is the world's largest producer of cotton yarn, cotton cloth, silk and silk fabrics.

Production of chemical fiber products in 1990 will reach 1.5 million tons, or a 64.2 percent increase over 1985. The increase will make China the world's fourth largest producer of the product.

Textiles are China's largest export product. The country's textile export volume will total over 54.7 billion U.S. dollars during the Seventh Five-Year Plan.

### Steel Output Hits Target Ahead of Schedule

HK0712100190 Beijing CHINA DAILY in English  
7 Dec 90 p 2

[By staff reporter]

[Text] China's total steel output reached 61 million tons by December 4, hitting the year's target 27 days ahead of

schedule, according to the latest figures from the Ministry of Metallurgical Industry.

The ministry attributed this accomplishment to the State policy implemented this year to guarantee an adequate supply to key enterprises to prevent production from declining.

The steel industry has also placed great emphasis on increasing the production of varieties which are in short supply on the domestic market. The output of 11 such varieties of steel in shortage increased 23 percent over the first 11 months of last year. Imports of steel were reduced by 53 percent, saving \$2.5 billion foreign exchange for the State.

### Machinery, Electronics Industry Notes Progress

OW1812122090 Beijing XINHUA in English  
0836 GMT 18 Dec 90

[Text] Beijing, December 18 (XINHUA)—The production value of China's machinery and electronics industry has more than doubled in the last five years, according to the latest statistics.

The statistics, from the Ministry of Machine-building and Electronics Industry, show that the production value of the industry during the Seventh Five-Year Plan period (1986-1990) reached 822.2 billion yuan, a 113 percent increase over the figure for the Sixth Five-Year Plan period (1981-1985).

Furthermore, the tax and profit accumulated by the industry amounted to 106.4 billion yuan, up 70.5 percent over the figure for the previous five-year period.

Part of this revenue came from the export of machinery and electronics products valued at 34.3 billion U.S. dollars during the period. These exports included color TV sets, computers, automobiles, tractors, lathes, ships as well as complete sets of equipment and technical know-how.

During the period, the industry provided the country with generating equipment totalling 68.68 million kw, 2,45 million automobiles, over 100 million TV sets (including 39.7 million color TV sets), 870,000 machine tools, 210,000 giant tractors, and 250,000 micro computers.

Breakthroughs have also been made in the research and production of 12 major technical items, including 300,000 and 600,000-kw generators, the equipment for 10 million-ton open-air coal mines, the equipment for the second phase of Baoshan Iron and Steel Complex in Shanghai, and supplementary equipment for Beijing's electronic collider.

### Henan Industrial Economy Improves 1986-90

HK1712044090 Zhengzhou Henan Provincial Service  
in Mandarin 2300 GMT 12 Dec 90

[Excerpts] According to statistics released by the provincial statistics bureau, our province's industrial economy witnessed a continued development in the Seventh Five-Year Plan period. Our province successfully attained most of the goals set in the Seventh Five-Year Plan ahead of schedule. With the deepening of industrial reform, our province's enterprises were further invigorated. Moreover, our province's industrial technological standard also rose to a new level while our province's industrial structure underwent continuous readjustment and improvement.

During the Seventh Five-Year Plan period, our provincial industrial production developed at a relatively rapid rate with the total industrial output value exceeding the predetermined quota set in the plan. [passage omitted]

Our province's total industrial output value in 1990 is expected to reach 69.9 billion yuan, a 91-percent increase over 1985 and an average annual increase rate of 13.8 percent. [passage omitted]

The production of some 30 out of 48 major industrial products attained or exceeded the quotas set in the Seventh Five-Year Plan one or two years ahead of schedule. The production of all the important industrial products, such as steel products, cement, chemical fertilizer, yarn, and cloth, all of which have an important bearing on our national economy and people's livelihood, exceeded the quotas set in the Seventh Five-Year Plan period.

During the Seventh Five-Year Plan period, our province made a total investment of more than 29 billion yuan in capital construction and technological transformation of industrial enterprises operating under the system of ownership by the whole people, this representing an increase of more than 100 percent over the Sixth Five-Year Plan period. It is estimated that our province's industrial enterprises keeping separate accounts will have possessed fixed assets totaling nearly 60 billion yuan by the end of 1990. This will represent an increase of more than 100 percent over 1985 and lay a sound basis for our future industrial development. [passage omitted]

During the Seventh Five-Year Plan period, our province laid stress on industrial quality and efficiency, concentrated on technological transformation of key trades and professions, key enterprises, and key products, and made a total investment of more than 7 billion yuan in this regard. During the Seventh Five-Year Plan period, our province developed more than 4,000 new products, 2,287 of which were named as quality products by the state, various ministries, and our provincial authorities. [passage omitted]

### Inner Mongolia's Industrial Production Reported

SK1212031690 Hohhot Inner Mongolia Regional Service in Mandarin 1100 GMT 11 Dec 90

[Summary] During the Seventh Five-Year Plan period, our region's industrial production registered a high growth rate, and energy and raw material industries developed by leaps and bounds. Despite a decline in the growth rate of our region's industrial production this year, the industrial production registered an average increase of 10.4 percent in the entire Seventh Five-Year Plan period. The development of heavy industry was slightly faster than that of light industry in the period. By the end of 1989, our region's raw coal production capacity had reached 31.14 million tons, an increase of 1.5 times over 1985, its power generating capacity increased by 31 percent, and its steelmaking and timber production capacity also showed notable growth. Following the development of energy and raw material industries, the output of the products of the energy and raw material industries also increased substantially. By 1989, our region's raw coal output had reached 43.82 million tons, an increase of 36.8 percent over 1985, and its electricity, steel, pig iron, timber, and cement output also showed notable growth.

### Shaanxi Prospecting Industry Makes Progress

HK1612062890 Xian Shaanxi Provincial Service  
in Mandarin 0030 GMT 12 Dec 90

[Excerpt] During the Seventh Five-Year Plan period, this province's prospecting industry has made great progress, making contributions to the development of local industry.

During the Seventh Five-Year Plan period, 300 professionals of this province's 25 prospecting units broke the boundaries between different units and conducted technological exchanges. A large number of technological and engineering workers located nine major mineral deposits.

They also cooperated with each other in solving specific difficulties in production and in developing national and provincial key projects. [passage omitted]

### Shandong Reports Advances in Industrial Production

SK0812064990 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 7 Dec 90

[Summary] The industrial production of Shandong Province continued to rise in November. The total value of industrial enterprises at or above the township level reached 1.814 billion yuan, an 818 million yuan increase over October of this year and a 15.3 percent increase over last November. During the January- November period in 1990, the province's accumulated industrial output value reached 99.189 billion yuan, an 8.55 percent increase over the same period of 1989. By the end of November, collieries whose products are under the state

unified distribution plan turned out 35.53 million tons of raw coal, a 3.36 million ton increase over the state assignment, and fulfilled their production plan by one month and the province's power output reached 40.3 billion kwh, an 11.8 percent increase over the same period of 1989. Its steel output reached 1.76 million tons, a 17.9 percent increase over the same period of 1989; that of synthetic detergent, 122,800 tons, a 17.1 percent increase over the same period of 1989; and that of television sets, 659,000 sets, a 7.1 percent increase over the same period of 1989.

### Shandong Reviews 5-Year Textile Development

SK1812033790 Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 Dec 90

[Summary] The textile industrial front of Shandong Province has made numerous achievements during the Seventh Five-Year Plan period. The province fulfilled the textile industrial production targets covered in the Seventh Five-Year Plan in 1988. The total textile industrial output value surpassed 10 billion yuan in 1989 and is expected to reach 10.5 billion yuan in 1990.

So far, the province's 13 textile products have gained the mark of the international sheep wool bureau. Over the past five years, the province invested nearly 3 billion yuan in technological transformation; and created nearly \$2.3 billion foreign exchange, 1.3 times over the figure of the Sixth Five-Year Plan period. The value of purchasing export textile products is expected to reach 3.4 billion yuan and the export value of textile products is expected to reach \$520 million in 1990.

### New Technology Speeds Shanghai's Industrial Growth

OW1212180190 Shanghai City Service in Mandarin 1000 GMT 11 Dec 90

[From the "News and Weather" program]

[Text] Shanghai accelerated the pace of upgrading its industrial technology during the Seventh Five-Year Plan period.

According to the Shanghai Municipal Statistics Bureau, Shanghai invested 19.9 billion yuan in upgrading its industrial technology during the last five years, 3.7 times the total investment during the Sixth Five-Year Plan period. Moreover, two-thirds of Shanghai's key industrial enterprises have had their technology upgraded.

Under contracts signed with foreign countries, Shanghai has purchased 563 pieces of technology from them during the last five years. Because of the advanced foreign technology and equipment, the technological quality of products manufactured by some enterprises in Shanghai has improved substantially, narrowing the technological gap between Shanghai and the industrialized countries. The purchase of foreign technology also

has made Shanghai more capable of pursuing its industrial development independently, and accelerated the pace of producing major goods at home.

During the Seventh Five-Year Plan period, scientists and technicians in Shanghai joined their counterparts of 14 countries in discussing key industrial problems. In 1989, 83.7 percent of the results obtained from scientific and technological research were disseminated and applied in various sectors, compared with only 57 percent in 1985. According to estimates, the upgrading of Shanghai's technology has contributed at least 60 percent of the annual increase in Shanghai's industrial output value in recent years.

## SMALL-SCALE ENTERPRISES

### Overview of Township Collective Economy

91CE0055A Chengdu SICHUAN DAXUE XUEBAO: ZHUXUE SHEHUI KEXUE BAN [SICHUAN UNIVERSITY JOURNAL: PHILOSOPHY AND SOCIAL SCIENCES EDITION] in Chinese No 3, 23 Sep 90 pp 36-41

[Article by Ding Renzhong (0002 0117 6850); Qiu Xiaoping (6726 1420 1627), responsible editor: "Township Collective Economy in Perspective"]

[Excerpts] [passage omitted] 1. Understanding: Target for Limited Reform or Important Socialist Economic Force

China's township collective economy was first formed in the early 1950's. In the course of socialist reform of the means of production, there were two ways to form the collective economy of townships. One was to organize small business and store owners and individual laborers such as small merchants and peddlers to take the road of cooperative movement and form collective enterprises; the other was to organize working people who were old, weak, sick, and disabled to raise funds to open collective enterprises with the assistance of government. [passage omitted]

In actual work, biases against and incorrect understanding of the collective economy are demonstrated in the following areas: 1) Both the state economy and the collective economy belong to the socialist public economy, but they are being treated differently. The state plan covers only state-run enterprises. There is no way for the production, management, supplies, and funds of collective enterprises to be entered in the state plan. State-run enterprises can also enjoy the state's preferential policies. For instance, as far as credit is concerned, state-run enterprises can get a variety of special loans such as intermediate- and long-term loans for equipment and technological transformation whereas there is no guarantee that collective enterprises can even get regular general-purpose loans, not to mention special loans. 2) In newspapers and magazines, people always put state-run enterprises in one category and mention collective and individual economies in the same breath.

In fact the collective economy is excluded from the socialist public economy, which is a theoretical discrimination against the collective economy. 3) In people's minds, employees of collective enterprises are always categorized as second-class citizens, and the employees of collective enterprises themselves also admit that they are inferior. As of today, employees of collective enterprises still have problems finding friends. This is a prominent example of social prejudice. What is worse, in current theoretical propaganda, employees of collective enterprises are addressed as working people instead of the working class. This always upsets the employees of collective enterprises. 4) Some local government and labor departments stipulate during hiring that healthy people are assigned to state-run enterprises and retarded and disabled people are assigned to collective enterprises. Some localities even stipulate that assignments for jobless youths to enter collective enterprises are transitional and temporary jobs and cannot be counted as real jobs. Only placements into state-run enterprises can be considered as real jobs. 5) Such social prejudice also affects state cadres assuming leadership over the collective economy. They always think that they "have taken the right road of revolution but opened the wrong door to employment" and cannot keep their minds on their own work.

The above analysis shows that in order to speed up the development of the township economy, we must reverse our concepts, eliminate prejudice, and adopt a correct understanding of the collective economy. First we need to clarify that the current township collective economy is no longer the target for the limited reform of the early 1950's. Instead, they are an important economic force of socialism. In China's economic development, we should continue to adhere to the principle of developing multiple economic factors with public ownership as the basis. Adhering to this principle is to better develop the advantages and the leading role of the socialist public economy. We know that China's public economy has two parts: one is the state-owned economy; the other is the collectively owned economy. Because of this, an important aspect of the development of public economy is to continue to promote and expand the socialist collective economy to consolidate the basis of socialist economy.

Second, we need to clarify that current township enterprises are no longer places to take in jobless people. Instead, they are an important vital new force in the development of the national economy. In the past 40 years or so, China's collective economy grew out of nothing and from small to big, its economic power became greater and greater, and it played an increasingly important role in socialist economic construction. First, the collective economy covers a wide range of industries, including commerce, construction, food, service, handicraft, transportation, science and technology, and foreign trade. In some sectors the collective economy even has a dominant position. Second, the rank and scale of the collective economy is growing continuously. In 1987, China had over 160,000 township collective industries,

accounting for 30 percent of all enterprises. Such enterprises had 18.275 million employees, accounting for 30 percent of all enterprise workers. Their output value reached 204.605 billion yuan, accounting for about 19 percent of total industrial output value. For instance, Sichuan Province now has 2.27 million employees of township collective enterprises, 12,000 industrial enterprises, 180,000 commercial and other enterprises. Among them, 8,561 industrial enterprises practice independent accounting, and the original value of their fixed assets reach 4.7 billion yuan. Third, the collective economy is an important channel for solving the labor and employment problem of towns and townships. Since 1978, China's township collective enterprises have provided jobs for over 20 million unemployed people, accounting for about 30 percent of the total employment of towns and townships. Judged from Sichuan Province, by the end of 1988, township collective enterprises placed a total of 2.276 million unemployed people, accounting for 23.7 percent of total social employment. Fourth, the collective economy is an important source of state revenue. In 1988 China's township industrial enterprises paid about 40 billion yuan in taxes, accounting for about 14 percent of national revenue. In 1988, the output value of township collective industrial enterprises which practice independent accounting in Sichuan Province was 9.09 billion yuan, their sales income was 10.21 billion yuan, their profit was 700 million yuan, and their tax payment was 560 million yuan. Fifth, the collective economy is mostly mid-sized and small enterprises with small-scale production and flexible and mobile operations. Their products are generally small products urgently needed by the masses and supplementary products serving large industries which play an important role in satisfying market demands. A host of facts have proved that the collective economy is playing an important and irreplaceable role in developing production, ensuring supply, stabilizing the market, satisfying the people's daily needs, safeguarding social stability and unity, and consolidating and expanding socialist public ownership.

## 2. System: "Secondary State Ownership" or "True Collective Ownership"

[passage omitted] Theoretically speaking, collective ownership is a form of socialist public ownership. So it has common characters as the state ownership. For instance, under the collective ownership, the means of production is publicly owned, the principles of "to each according to his work" and democratic management are implemented, and the objective of production is to satisfy the daily needs of the people. However when compared to the state ownership, the collective has its own unique characteristics: 1) Complete ownership. In China, ownership by the whole people still demonstrates as state ownership, and government organs exercise ownership over enterprises' means of production on behalf of the state. As far as the nature is concerned, the collective ownership refers to the fact that the means of production is collectively owned by some working

people. Since the enterprise is built with funds raised by its own employees or with their joint investment, its means of production naturally belongs to its employees as a collective. There is no ultimate owner above its employees. 2) Complete right to production and management. Since a collective enterprise's means of production belongs to its own employees, how to use the enterprise's property to carry out business operations, the direction and scale of production, and the type and output of products are all determined by the enterprise alone. 3) Complete right to distribution. During the distribution of enterprise income, the ratio of accumulation funds to consumption funds, the standards of wage, and the amount of bonus are stipulated by the state in state-run enterprises. In collective enterprises these things are decided jointly by all employees according to the development situation of the enterprise. In addition, compared with the state-ownership, the distribution of collective enterprises is an incomplete demonstration of the principle of "to each according to his work." Because collective enterprises belong to the cooperative economy formed with funds pooled by the masses, a part of enterprise income is used for the distribution of wages under the principle of "to each according to his work," and the other part is used for the distribution of dividends as employees' property income. 4) Complete responsibility for profits and losses. Under the current system, state-run enterprises receive many command plans from and has many obligations to the state while their risks are covered mostly by the state. In collective enterprises, profits go to all employees and losses are shared also by all employees. This is what assuming sole responsibility for profits and losses is all about.

The above is the theoretical connotation of collective economy. But in reality the collective economy, especially "large collective," is not the same as the theory. The property of collective economy should be purchased with funds raised among employees. But "large collectives" are built with the investment of a sponsoring unit. In other words, "large collectives" do not have their own independent property to begin with. At the same time, because "a large collective" is built in the form of a "collective run by the whole people" and because its property is invested by units run by the whole people, it is very natural for a township collective enterprise to adopt the management method similar to that of a state-run enterprise. As far as management organs are concerned, there is an administrative organ (formally the Second Light Industrial Bureau) to lead collective enterprises, and the leaders of collective enterprises are assigned by higher authorities. As far as distribution is concerned, not only has the distribution of dividends never been heard of but the system of distribution is also decided by the state and the standards and scales of wages are completely identical with those of state-run enterprises. As far as management and production are concerned, most decisions are made by higher authorities and collective enterprises use the same criteria as those of state-run enterprises in upgrading their enterprises and appraising the quality of their products. For

the establishment of internal organs, collective enterprises also adopt the model of state-run enterprises, workers' labor insurance, welfare, and other policies regarding birth, old age, illness, disability, and death are all exactly the same as those of state-run enterprises.

Because of this, theory is divorced from practice in the collective economy of "large collective." Theoretically speaking, the property of a collective enterprise is collectively owned by its employees, but the property of a "large collective" is owned by the unit of the whole people. Collective enterprises have sufficient decision-making power in regard to manpower, financial and material resources, production, supply, and marketing, but "large collectives" basically have no decision-making power. Of course, after 10 years of reform, this situation has somewhat changed. Collective enterprises can make their own decisions regarding the arrangement of production and management, the use of their own funds, the purchase of raw materials, the sales of products, and the awards and punishments of employees. However according to our investigation, the existing decision-making power of the township collective economy is still insufficient. First, it does not have the right to elect cadres. Enterprise leaders are still appointed by higher authorities. Second, it does not have the right to distribute income. The distribution system is still determined by the state. Third, it does not have the right to hire people. Collective enterprises cannot hire people on their own. Hiring is arranged and approved in a unified manner by labor and personnel departments. Fourth, it does not have the right to carry out cooperation and development. For horizontal economic coordination, collective enterprises need the approval of supervising departments or sponsoring units.

This shows that the "large collective" of townships in the current stage of China is an economic factor that is neither fish nor fowl. It resembles both and neither of the state and collective economies. But comparatively speaking, it has more of the economic characteristics of the ownership by the whole people. Judging from the ownership of its property and management method, it belongs basically in the category of ownership by the whole people. Or we may say that it is collective in form and state in nature. This is why people usually call "large collectives" "secondary state units." No matter what the name is, this neither-fish-nor-fowl status is indeed an important factor obstructing the development of the township collective economy. We think that in order to better accelerate the development of the township collective economy, we must return "large collectives" to real collective economy, namely changing "secondary state units" back to "real collective units." This process of restoration should include at least the following two aspects:

First, perfect the operating mechanism within collective enterprises. This includes mainly "the return of three rights" (right to property ownership, right to operations, and right to democratic management) and "the restoration of three characters" (the character of masses in

organization, the character of democracy in management, and the character of flexibility in operations). The key issue here is to smooth out property relations. The methods to smooth out the property relations of township collective enterprises can be divided roughly into four types. First, collective enterprises which used to be run completely by the civilians and was later taken over by the government should be returned to the civilians and resume the original face of civilian-run collective enterprises. Second, enterprises which was established with the investment of state units in the way "that state units run collectives" should use the funds they accumulated over the years to pay back the sponsoring units if the amount of their original investment was not too great. By doing so, they can sever their link to the sponsoring units and become completely independent economic entities. Third, if the proportion of the original investment of the sponsoring state units in the property of collective enterprises is not great, but for various reasons it is not appropriate for collective enterprises to pay back the investment of the sponsoring units, collective enterprises may implement the share system and turn the investment of the sponsoring units into a certain amount of shares while ensuring that their own shares dominate. By doing so, they can properly handle the investment issue of the sponsoring units and maintain the nature of the collective economy. Fourth, if the proportion of the original investment of the sponsoring state units in the property of collective enterprises is too great, there will be no need for such enterprises to maintain the title of the collective economy. They should be changed to state enterprises.

Second, perfect the external management relations between supervising departments and collective enterprises. Currently the only management department that can represent the collective economy is the second light industrial bureau. But we have mentioned before that collective enterprises are scattered in many different industries. The trace of collective economy can be seen in almost every sector of the national economy. Obviously the second light industrial bureau alone cannot represent collective enterprises which are scattered in so many industries. Many collective enterprises are actually controlled by different departments to which they belong to, but these departments often fail to fully consider the characteristics of collective enterprises in management. This inappropriate management method is undoubtedly another factor obstructing the development of the township collective economy. Because of this, in order to facilitate the development of the township collective economy, we should have a general department in charge of collective enterprises. However this general management department should be a coordinating organ, and not evolve into another administrative organ. Recently the Sichuan Provincial People's Government established the office of township collective economy which is a general coordinating department responsible for handling routine work concerning all issues of township collective enterprises. When it encounters major policy issues, it will submit them to the joint meeting of the

provincial government on the township collective economy which is led by leaders of the provincial government and attended by leaders of all departments, committees, and offices. This joint meeting is held irregularly to mainly examine and discuss the difficulties and problems encountered in the development of the township collective economy and then make decisions and policies to be distributed to lower levels in the form of a provincial government document. This practice of Sichuan Province is a valuable experiment. So far it looks like a fairly successful experiment. It has provided a fairly good solution to the management issue of township collective enterprises.

### 3. Policy: Lean Toward Ownership or Industry

[passage omitted] Under the original system, the state interferes a lot in the state-run enterprises. For instance, plans are made, revenue and expenditure are managed, and products are sold all in a unified manner. But at the same time state-run enterprises also enjoy many real benefits. For instance, the state supplies them the means of production at state prices over a long period of time. So the responsibilities and benefits of state-run enterprises are balanced. This shows that the state's economic policy is slanted based on the ownership system. The focus of the slant is that the technology, funds, and supply policies of state-run enterprises give first priority to satisfying the needs of the development of state economy before considering the needs of the collective economy and other economic factors. The purpose of this slant in the state's economic policy is to accelerate the development of public economy. This has achieved considerable results. But at the same time it has also had some negative effects: 1) Some state-run enterprises have advanced technology and equipment. Their production develops fast and their economic returns are good. But there are also some state-run enterprises which are run inefficiently. Their management is chaotic and their economic returns are poor. They should be closed down, suspended, merged, or transferred. The abovementioned policy functions as an accelerator to the first category of enterprises and as a protector of the backward to the second category of enterprises. 2) As science and technology advances and productive forces develop, industrial structure changes constantly. The state must guide such changes according to circumstances and readjust the industrial structure to optimize it. The abovementioned policy, however, stabilizes and maintains the status quo of state-run enterprises, which is very unfavorable to implementing the state's industrial policy. 3) The slant in the state policy toward state-run enterprises has actually excluded the collective economy from the public economy, which is unfavorable to consolidating the basis of socialist economy. [passage omitted]

### 4. Development: Independent or Supplementary

For many years there has been a common understanding in the theoretical and industrial circles. That is: Since township collective enterprises are characterized with small scale, little investment, and quick returns, they can

supplement the production of large industries and play a role in making good omissions and deficiencies in the national economy. This is considered an effective way and an experience to develop the township collective economy. But some people in academic circles also think that after several decades of development, the scale of today's township collective enterprises have expanded and their technology and equipment have improved continuously. As a result, they have become an important new force in the national economy. If so, their development can break through the model of "making good omissions and deficiencies"—no longer need to supplement the production of large industries. They can "open up their own shop" and "fly their own colors." They can develop on their own without having to rely on state-run enterprises.

I think that the achievements of the township collective economy made in the several decades of development must not be ignored. Judging from the means of technology, it no longer uses the production method of handicraft industry in the initial period of liberation. It has realized mechanization or semi-mechanization. Judging from the scale, there is no lack of instances in which an enterprise has a thousand employees and 100 million yuan worth of property. But to be realistic, large-scale, highly mechanized township collective enterprises are after all a minority. As far as Sichuan Province is concerned, there are only two to three collective enterprises that are large in scale and have 100 million yuan of output value. Therefore, in general, we cannot but face up to the reality that currently township collective enterprises have limited funds, are small in scale and backward in average technology and equipment, and have a low management level. Based on this reality, we think that the management and development strategy of township collective enterprises should have the following features and main contents: They should be "small in scale, specialized, and supplementary." We think that they should advance along this track.

First, small scale. The scale of township collective enterprises is generally small, which has a historical reason. For a long time, people always consider township collective enterprises as a temporary placement, a passive, expedient measure. So in investment, they only think about how to keep the enterprise alive instead of making it grow. Due to limited funds, scale, and accumulation, it is difficult for township collective enterprises to expand reproduction. The small scale looks like an unfavorable condition from one angle, but from another angle, it looks like a good opportunity for development. This is because: 1) Small enterprises have their own field of development. A large number of small commodities for daily use and spare parts for large industries are suitable to be produced only by small enterprises. 2) It is easier for small-scale enterprises to develop specialized production. 3) The operations of small-scale enterprises are flexible, so it is convenient for them to change direction. 4) Small-scale enterprises have shorter production cycles, fewer production links, and faster capital turnover. 5) Small-scale enterprises require little investment.

yield fast results, and have higher profits of capital. For instance, in 1988 the capital-profit rate of township collective industrial enterprises which practiced independent accounting in Sichuan reached 19.6 percent, higher than the 17.8 percent achieved by their state counterparts in the same period.

Second, the specialization of production. It is easier and necessary for small enterprises to take the road of specialization of production. The specialization of production is where the advantage of small enterprises lies. However, it is necessary to point out that the specialization of production here does not refer to simple unitary production. Instead, it refers to "small but special, special but precise, and precise but famous" production. Small enterprises are not characterized by the specialization of production. They are characterized by the fact that they can establish their own brands and influence on the basis of production specialization. Township collective enterprises are on smaller scales and they cannot compete with large- and medium-sized state enterprises in strength, so in the orientation of development they should stress establishing famous brands, fine-quality, and special products, which are the basis for the lasting vitality of township collective enterprises. The prerequisites for developing the production of specialized and name-brand products are: 1) stressing marketability in close connection with the changes of market demands; 2) stressing technological transformation and renovation in close connection with technological import; 3) stressing the improvement of labor productivity in close accordance with the principle of specialization and coordination.

Third, coordination in direction. It is suitable for small enterprises to develop specialized production, but their economic strength is relatively weak. Because of this, while stressing "small but special, small but precise, and small but famous," township collective enterprises should rally around large- and medium-sized state enterprises and integrate with them to form enterprise communities through various forms of coordination in accordance with the relations of economic and technological "closeness." For instance, they can form various kinds of enterprise groups with large- and medium-sized state enterprises as centers. In this way, township collective enterprises can, on the one hand, develop coordinated production for large industries with a definite objective and orientation in mind and, on the other hand, use the economic and technological advantages of large enterprises to improve their technical equipment and increase their inner potential for further development.

## COMMERCE

### Price Index of Free Market Trade in Sep 1990

HK2012110590 Beijing CEI Database in English  
20 Dec 90

[Text] Beijing (CEI)—Following is a list of the price index in China's free market trade in September 1990.

released by CSICSC [China Statistics Information Consultancy Service Center]

|  |          | (Note: price of the same period of last year as 100) |            |  |
|--|----------|--|------------|--|
|  |          | including  |            |  |
|  | National | Town   | Rural Area |  |
| General index                                      | 94.4     | 93.8   | 93.8       |  |
| A. Price index of consumer goods                   | 94.0     | 93.8   | 93.7       |  |
| 1. Grain   | 78.0     | 78.2   | 77.9       |  |
| 2. Edible vegetable oil                            | 88.3     | 96.6   | 84.9       |  |
| 3. Vegetables                                      | 99.5     | 102.6  | 96.1       |  |
| 4. Dried vegetables                                | 91.7     | 90.1   | 92.7       |  |
| 5. Meat, poultry, and eggs                         | 93.8     | 94.3   | 93.9       |  |
| 6. Aquatic products                                | 96.2     | 94.6   | 97.7       |  |
| 7. Fruits  | 97.1     | 96.9   | 97.5       |  |
| 8. Dried fruits                                    | 91.8     | 89.0   | 94.4       |  |
| 9. Daily-use goods                                 | 98.9     | 103.2  | 97.8       |  |
| 10. Fire-wood                                      | 96.5     | 100.5  | 95.1       |  |
| 11. Others   | 99.1     | 100.5  | 98.9       |  |
| B. Price index of agricultural means of production | 93.3     | 93.3   | 93.3       |  |
| 1. Forage  | 86.1     | 86.1   | 86.1       |  |
| 2. Farm tools                                      | 99.6     | 99.6   | 99.6       |  |
| 3. Poultry, pigs, sheep and goats                  | 92.6     | 92.6   | 92.6       |  |
| 4. Large domestic animals                          | 92.1     | 92.1   | 92.1       |  |
| 5. Bamboo and timber                               | 96.6     | 96.6   | 96.6       |  |

## FOREIGN TRADE, INVESTMENT

## Changes Suggested in Foreign Trade Contract System

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[Article by Gao Heyun (7559 7729 0061) and Gao Binhua (7559 3453 3232) of the Jiangsu Province Foreign Economic Relations and Trade Commission: "An Analysis of the Pros and Cons of the Foreign Trade

## Contract System, and Thoughts on Reform: A Detailed Discussion of Jiangsu's Split Contract System"]

[Text] Along with the implementing China's policy of opening up to the outside world in order to invigorate the domestic economy and our deepening of economic reform since the Third Plenary Session of the 11th CPC Central Committee, our foreign trade system, which originally emerged and developed on the basis of a centrally planned economy, while undergoing many reforms, has finally taken a contract form. The State Council decided that three fields of foreign trade, clothing, light industry, and handicrafts, would, in 1988, begin to conduct management pilot projects by sharing foreign exchange at a ratio of 30:70, while assuming the sole responsibility for their profits or losses, the contract management responsibility system became fully effective in foreign trade. After two years of practice, we feel strongly that the foreign trade contract management responsibility system is generally in accord with the demands of the policy of reform and opening up to the outside world, and is in line with the prior explorations and experiments which produced the new foreign trade system. The achievement of having maintained a steady increase in exports must be affirmed, particularly under the conditions of having to break free from the system of "everyone eating out of one big pot," in which the state assumed centralized responsibility for profits or losses, and the two consecutive years of severe domestic inflation. At the same time, we think that the contract system's basic imperfections, and the serious problems encountered in enforcing it, have also produced a series of adverse consequences, which can be summed up as follows: government administration has not been separated from enterprise management, each foreign trade enterprise does things in its own way, and local protectionism has reared its head; rights, duties, and interests are inconsistent, and the inherent motivation for enterprises to increase export earnings has not been stimulated, but has been weakened instead; regional slanting of economic conditions has caused divergence of economic operations and distortion of economic activities, and interregional foreign economic relations and trade contention has arisen under these unequal conditions; inappropriate devolving of foreign trade decisionmaking power to lower administrative levels has decentralized management, disordered enterprise activities, "polluted" the foreign economic relations and trade environment to a certain extent, and deviated in certain areas from the theoretical basis and guiding ideology of reform.

Confronted with this reality, we have certainly not tried to conceal the faults of the foreign trade contract system for fear of criticism, but have rather taken the positive approach of trying to turn its disadvantages into advantages. In order to achieve this, we have analyzed Jiangsu's "split contract" system and objectively reported the foreign trade contract system's pros and cons, in order to come up with suggestions on ways to perfect the system and deepen reform.

In 1988, after hearing opinions from all quarters, the Jiangsu Provincial People's Government decided to fully implement the foreign trade contract management responsibility system in a "split contract" form, in accordance with State Council provisions on speeding up and deepening foreign trade system reform. The basic idea was to split up (or break down) all foreign trade targets, which the provincial people's government contracted with the state, to the 11 cities under the jurisdiction of the provincial government, to be contracted by the municipal people's governments with the provincial people's government. After being contracted, all cities adopted the management forms of either "self-managed (acting) breakdown" or "jointly managed breakdown." The four cities under the jurisdiction of the provincial government of Suzhou, Wuxi, Nantong, and Nanjing opted for self-managed breakdown, while the other seven adopted the contract form of joint-management with the various provincial foreign trade import-export corporations. At the same time, the provincial government devolved foreign trade decisionmaking power to all import-export corporations and some production enterprises in the four self-managed cities, and drew up for them 20 accessory documents pertaining to system reform, which enabled them to take new reform steps beyond those in the other cities under the jurisdiction of the provincial government.

The contract management forms of "self-managed breakdown" and "jointly-managed breakdown," which Jiangsu set in its "split contract" system, were both details that were worked out in accordance with the spirit of the State Council's documents on system reform. They did not deviate from the reform orientation of "making foreign trade enterprises assume the sole responsibility for their profits or losses, devolving management decisionmaking power to lower administrative levels, coordinating industry with trade, and practicing a system of acting management." Making the breakdowns both centralized and also jointly-managed, i.e., considering both the urgent need for open zones and open cities to implement the coastal zone's economic development strategy, and also the implementation of this imperfect contract method from the perspective of Jiangsu's actual foreign trade conditions, in an attempt to allow each city, under unequal competitive conditions, to fulfill the contract obligations which it promised to undertake, was well-intentioned. Its implementation consequently also showed that even though each city encountered many difficulties in fulfilling its contract obligations, the externally-oriented economy throughout Jiangsu Province developed rapidly to a certain degree and within certain limits, the consciousness of and sense of responsibility toward export earnings of governments at all levels were remarkably enhanced, and local self-management initiative was effectively aroused. In particular, the foreign trade decisionmaking power that they acquired allowed city governments, departments, and enterprises to try to throw off the yoke of overall control, open up their own windows to the outside world, and race toward the international market. Even though Jiangsu, as well as the

rest of China, encountered domestic price increases and energy, raw materials, and fund shortages in 1989, it still fulfilled its state-assigned foreign trade export obligations in the annual plan, and even increased its exports somewhat over 1988. Thus, the facts show that this "split contract" system had a certain amount of feasibility and should not be totally rejected.

Of course, as this system certainly did not have scientific contract bases, was an imperfect contract form, made governments both contractors and contractees, legitimized administrative interference in enterprises by local governments and responsible administrative departments at all levels, and affected foreign trade production and management activities, it reintensified the relations between government administration and enterprise management, which had already begun to be separated. Some areas broke down contract targets to counties, townships, and villages (district and neighborhood factories) level by level, even sharing out targets all the way to individuals, and dragging certain unqualified enterprises into the "contract" ranks. This allowed a number of production enterprises with poor externally oriented prospects to take on heavy burdens of earning profits (RMB) [renminbi] and exchange (foreign exchange) and, in a very short period of time, even caused the swift and violent appearance of local protectionism, a weakening of the previous industrial coordination capability, and difficulty in bringing the overall advantages of export commodity production and management into full play.

As the "split contract" system strengthened local interests unit by unit, caused a certain amount of macroeconomic imbalance in foreign trade, allowed the tendency to ignore overall interests to arise, and enabled a counter trend of nonoptimization to appear in the restructuring of production and export product mix, it was unable to permanently resolve the problems of cut-price sales competition, panic buying which forces up prices, and a drain on resources. Moreover, in the sharing out of material benefits from contracts, conflicts intensified to a certain extent between the local and central governments, cities and Jiangsu Province, counties and cities, and enterprises and governments, joys and hardships were unequal, and the contradiction of inconsistent duties, rights, and interests had still not improved.

Thus, although the responsible Jiangsu foreign trade departments constantly studied the new conditions and issues and skilfully handled the various conflicts which arose in the reform process, the too many system limitations themselves made it hard for them to apply and achieve good results even with certain good methods. For instance, although they proposed a detailed management method for cotton, in which raw materials and finished products are not located in the same city, and for which two province-wide procurements have to be organized to be manufactured into finished export products, profit distribution conflicts and uncontrolled cotton allocation throughout Jiangsu made it impossible for them to fulfil their textiles export base and foreign exchange turned over to the state targets, faced with the

actual situation of self-managed cities finding it difficult to fulfil contract obligations on their own, even though they increased the percentage of joint management by self-managed cities and provincial companies and promoted diversified forms of alliances, it was still hard for them to resolve problems, such as the glaring contradiction of "mismanaged contracts," the difficulty in scientifically determining the responsibilities of managers and contractors for profits or losses, and the grave phenomenon of city and county governments keeping the foreign exchange that belonged to production enterprises, although their devolving of authority to lower administrative levels and decentralization of management was able to speed up the pace of externally oriented development of open cities, they still certainly encountered much resistance in trying to enhance macroeconomic control over inventory and reorganizing foreign economic relations and trade companies.

A summary of our analysis of the pros and cons of the foreign trade contract system shows that the current foreign trade contract management responsibility system and the series of policies that are being implemented to encourage the growth of foreign trade have emerged in a particular political and economic climate, and played a positive role in promoting the growth of foreign trade. At the same time, along with the friction between the old and new systems, they have unavoidably contained certain faults. In order to take new steps to reform the system after the foreign trade contract system expires in 1990 and, in the process of improving the economic environment, rectifying the economic order, and deepening reform in particular, to enable foreign trade system reform to keep abreast of foreign trade developments per se, so that we do not again artificially create certain hard-to-resolve conflicts, we will have to proceed from the overall situation of contributing to economic stability and coordinated growth, to grasp the correct reform orientation and design a new foreign trade operating mechanism. Thus, we are suggesting the following changes:

#### **1. The Foreign Trade Contract System Should Continue To Be Practiced and Perfected**

As foreign trade system reform is a very complex kind of systems engineering, in addition to making the system itself more scientific and feasible, it must also be given a better external environment and correspondingly complete measures. Initial successes have now been won in improving the economic environment and rectifying the economic order. Since the state adopted the "dual-austerity" policy, the overheated economic growth momentum has been checked, the situation of an extra currency in circulation and domestic inflation has changed somewhat, companies have been inventoried and reorganized, the foreign economic relations and trade order has improved, and the RMB exchange rate has been adjusted, which has helped to control imports and encourage exports. However, we must soberly face the fact that it has remained impossible to completely reform areas such as finance, taxation, pricing, exchange

rates, and the distortions and intertwining of our three pricing systems (state plan, domestic market, and international market prices). Our dual exchange rates (at state foreign exchange list and domestic foreign exchange adjusted prices) have certainly not basically changed, and unequal interregional trade competition has certainly not been eliminated. Thus, as we have been able to only gradually advance our foreign trade system reform by expanding production and increasing exports under current macroeconomic conditions, we are suggesting the following specific changes:

A. The foreign trade contract system should be more scientifically and rationally designed, and the current form of contracting mainly by governments at all levels should be changed to enterprise contracting. Contract bases should be set not only according to the base fulfillment, percentage of progressive increase, and actual above-base achievements within and outside of the state plan during a particular contract period, but also according to export production enterprise size, export coefficient, amount of increased investment in new key factors, new and increased export production capability due to technological upgrading of enterprises and thus, based on the methods of quantitative analysis and weighted averaging. Contract target assessments should be linked to profit stimulation forces, such as wages and bonuses, and appropriate profit distribution percentages should be set for the central government, local governments, and enterprises (foreign trade and production enterprises).

B. The external climate for system reform should be improved. The past deviation of "substituting contracting for control" must be guarded against. That is, "stability" must be organically combined with "appropriate adjustment" during the terms of contracts, while the "degree of slanting" and "range of applicability" of foreign trade policies among regions and industries must also be grasped. While enhancing macroeconomic regulation and control capability, the overall trade advantages of a socialist country must be brought into full play, in order to ensure the implementation of rigorous, coordinated, complete, and perfect system of reform measures.

#### **2. A Wider Range of Industries Should Be Made To Assume the Full Responsibility for Their Profits or Losses**

Our analysis of the system reform status quo in the three pilot project lines of light industry, handicrafts, and clothing (in addition to the two categories of cotton knitwear and ceramics in Jiangsu), shows that the policy measures of making foreign trade enterprises assume the full responsibility for their profits or losses, set foreign exchange sharing percentages, and use compensated foreign exchange adjustment to make up losses, have further enhanced the management and overall operational capabilities of foreign trade export enterprises in these pilot project lines, improved coordination between industry and trade, and made it easier to place the major

responsibility for export earnings, profits, and losses on foreign trade management and export production enterprises. At the same time, they have also strengthened the management and profit-loss-accounting mechanisms within enterprises, increased enterprise decisionmaking power, improved enterprise vitality, competitiveness, and ability to meet emergencies, and enabled the foreign trade contract management responsibility system to be organically combined with deepening of reform within enterprises. Further reform pilot projects in making a wider range of industries assume the full responsibility for their profits or losses, have made it possible to make enterprises assume the full responsibility for their profits or losses while giving them more management decision-making power, as well as giving hope for a decrease in artificially imposed administrative interference, which coincides with the general orientation of foreign trade system reform.

### 3. An Import-Export Flow Regulation and Control Mechanism, Which Coincides With Exchange Rates, Compensation for Losses, and Taxation, Should Be Established

Our basic suggestion is to continue to lower the RMB exchange rate, in order to bring it more into line with the national average cost of converting exports into exchange, and with foreign exchange adjusted market prices, so that it can gradually replace the export loss-compensation mechanism. In the transitional phase before the exchange rate is fully adjusted, we should continue to adopt a policy of loss subsidization for certain large commodities for which it is hard to devise export management strategies, and gradually eliminate loss subsidies for and collection of export taxes on some low-loss or low-profit commodities while exchange rates are being lowered. Exchange rates should be used to regulate and control foreign trade turnover, loss compensation should be used to restructure export commodity mix, and taxation should be used to determine the percentages of domestic and foreign sales and to reflect industrial policy. Thus an import-export flow regulation and control mechanism, which is focused on exchange rate regulation and control and assisted by loss compensation and taxation, can be established to enable China's foreign trade to develop on the basis of a fundamental balance of international payments.

### 4. Direct Foreign Trade Management by Export Production Enterprises (Groups) Should Be Encouraged

Encouragement of direct foreign trade management by export production enterprises (groups) of import-export business is a key plank of foreign trade system reform. Through external attraction and internal alliances among enterprises, and focused on high-quality, brand-name, and new high-tech products, units, such as production, foreign trade, and scientific research, should be closely integrated and given foreign trade decision-making power, and inherent economic ties between group members should be strengthened, in order to establish an export system which is coordinated with

specialized foreign trade companies and, based on their existing export turnovers and structures, to form new foreign trade enterprise entities which have clear socialist features and fan-shaped radiation capabilities. Through optimizing the composition of their key internal production factors, these enterprises should be allowed to bring their overall economic advantages into full play and move forward to establish and develop management networks, so that they can gradually achieve better economic efficiency through increased size. Along with their rise and development throughout China on a larger scale, export production enterprises (groups) are bound to become more competitive in future international trade with transnational corporations from advanced countries.

### 5. Foreign Trade System Reform Goals Should Be Realized in Stages

In order to thoroughly explore long- and medium-term plans for foreign trade system reform, and establish a new and better socialist foreign economic relations and trade system, we should move forward to achieve overall system reform goals in the three areas of foreign trade management, administration, and economic regulation forces. As to foreign trade enterprises, we must uphold the principle of unity of duties, rights, and interests and bring the decisionmaking power functions of all foreign trade enterprises into full play. Under current conditions, in which local governments have begun to assume the sole responsibility for their profits or losses to the central government, cities and counties should be made to assume the sole responsibility for their profits or losses to the provinces, and assumption of sole responsibility for profits or losses should be broken down to production and foreign trade enterprises in stages. Moreover, under the restrictions of the profit and loss mechanism, and based on the principle of comparative trade profits, cities, counties, and production and foreign trade enterprises should be allowed self-control and free development within the international trade framework. The management and administration sector should bring its macroeconomic control functions into full play, draw up various relevant management measures, and replace centralized administrative interference with improved management and administration, to form a new "three-in-one" system, in which economic, administrative, and legal factors interact.

### Trust, Investment Firms Expand Overseas Business

0W1112144790 Beijing XINHUA in English  
0911 GMT 11 Dec 90

[Text] Wuhan, December 11 (XINHUA)—China's international trust and investment companies have scored notable achievements in expanding their business overseas, according to a recent meeting here on international trust and investment business in coastal areas and major cities.

Statistics released at the meeting show that there are now 118 international trust and investment companies all over China and they have business contacts with over 200 financial institutions in 40 countries and regions.

To date, these companies have raised a total of 5.3 billion U.S. dollars in foreign exchange and 10.9 billion yuan.

They have also conducted 2,677 projects involving foreign exchange investment, lending and inter-bank borrowing and lending, and provided 331 guarantees for overseas clients.

At the meeting 16 international trust and investment companies located in China's major cities set five tasks for the next few years:

- Expansion of overseas business and provision of services to Chinese enterprises which wish to open business abroad.
- Aid for all localities in their export-oriented economic development and introduction of foreign investment to revamp old enterprises and develop new technology.
- Honoring of contracts and agreements signed with foreign firms and paying back debts as scheduled in a bid to expand overseas foreign financial co-operation.
- Enhancement of links and co-operation among international trust and investment enterprises, and
- Support for the central bank, the state foreign exchange administration and local governments in their efforts to create conditions for business expansion.

### Tungsten Exports Lead World

OW 2112075790 Beijing XINHUA in English  
0734 GMT 21 Dec 90

[Text] Beijing, December 21 (XINHUA)—China has become the world's largest exporter of tungsten.

Statistics show that China's tungsten exports, which amounted to only several hundred tons in the early 1980s, rose dramatically to 4,000 tons in 1985-86, doubled to 8,000 tons in 1987, and over the past two years increased to 13,000 tons per year.

In 1989 the country's exports of tungsten ore and products was up 4.4 percent over the previous year, and accounted for over two-thirds of the world total.

### Beijing Exports Top \$5 Billion in 5 Years

OW 2712144490 Beijing XINHUA in English  
1136 GMT 27 Dec 90

[Text] Beijing, December 26 (XINHUA)—The total value of Beijing's exports topped five billion U.S. dollars

during the Seventh Five-Year Plan period, up 64.5 percent over the figure from the Sixth Five-Year Plan period.

The Beijing Foreign Trade and Economic Commission reported that the capital's export value increased from 620 million U.S. dollars in 1985 to 1,260 billion U.S. dollars in 1990, an annual increase of 15 percent.

In the seventh five-year period, the export of heavy industrial products enjoyed a big increase, up 87.9 percent over the sixth five-year period, and ranked first among all of Beijing's exported products.

According to the commission, agricultural and side-line products placed second with a rise of 79.4 percent, textile products came in third with an increase of 78.1 percent over the respective figures from the Sixth Five-Year Plan period.

The export value of machinery and electrical products increased 2.4 times over the Sixth Five-Year Plan period, totalling 947.48 million U.S. dollars, according to the commission.

At the present, Beijing has about one thousand enterprises which together export tens of thousands of products to more than 130 countries, the commission reported.

### Beijing Jeep Company Unaffected by Soft Market

91P300324 Beijing JINGJI BANKAO in Chinese  
25 Oct 90 p 1

[Summary] Beijing Jeep Company (BJC), the nationally acclaimed Sino-U.S. joint venture, is enjoying strong consumer demand at a time when many in China's automobile industry are confronting a soft market. Especially in demand are BJC's Cherokee and 2020N models.

Since the joint venture was founded in 1983, average annual increases in production, sales revenue, and profits have stood at 19 percent, 38.8 percent, and 28.3 percent respectively. Although steel has been expensive and in short supply during 1990, it is predicted that annual increases over 1989 for production, sales revenue, and profits will be 6.9 percent, 18.7 percent, and 6.8 percent respectively. Domestic production capacity was enhanced in June with the completion of a \$130-million engine branch plant.

BJC's success can be attributed to products such as the Cherokee, combines the endurance of a cross-country vehicle with the style of a sedan. It accomplishes this not only by bringing in manufacturing technology but also by introducing complete production lines. Whereas the old 212 model remained basically unchanged for 20 years, new products since the joint venture's inauguration are updated annually.

BJC's motto is displayed in Chinese and English on a sign hanging outside its entrance. The sign says that BJC's quality principle is "to be the best." As part of its

preventive maintenance program, the joint venture has invested over 70,000 yuan to import 545 highly automated detection devices and instruments. These devices are used to inspect raw materials and spare parts and to test endurance and resistance to corrosion. BJC also strictly adheres to international quality control standards and abides by the Chrysler Corporation's SPC regulations.

#### 24 New Foreign-Funded Enterprises in Shaanxi

OW2112192790 Beijing XINHUA in English  
1520 GMT 21 Dec 90

[Text] Taiyuan, December 21 (XINHUA)—A total of 24 foreign-funded enterprises involving 15 million U.S. dollars in foreign capital have been approved in north China's Shanxi Province this year, according to the provincial statistics bureau.

Now, the total number of foreign-funded ventures in the province amounts to 80, with a total foreign investment of 39.5 million U.S. dollars.

A local official said that most of these ventures are industrial ones.

#### Shanghai Foreign Trade Benefits From Reform

OW3112211690 Shanghai BEN HUI BAO in Chinese  
23 Dec 90 p 1

[By reporter Zhu Guangming (2612 0342 2494) and correspondent Xu Qiushi (6079 4428 2733)]

[Text] Shanghai took three big steps in restructuring its foreign trade during the Seventh Five-Year Plan period. First, all foreign trade enterprises operated on a contract basis; second, agency services were instituted to integrate production and trade of industrial goods; and third, selected foreign trade companies were designated to be responsible for their own profits and losses. Reform has made Shanghai even more dynamic in developing its export-oriented economy. During the five-year period, Shanghai's total exports reached \$22.63 billion, growth of 25.7 percent over the Sixth Five-Year Plan period.

Shanghai encountered many problems during the last five years. The shortage of raw and semifinished materials at home and price rises increased export costs substantially; the tightening of money supply caused capital shortages; and disorganized foreign trade under unequal competition cut into profits. For a time, Shanghai's foreign trade was also at the mercy of a severe international environment. To find a path of development through reform, in 1988 Shanghai began in 1988 to commit itself to attaining three targets set by the central government, namely the amount of foreign exchange to be earned from exports, the amount of foreign exchange to be turned over to the state, and the amount of profits to be made. Meanwhile, all foreign trade enterprises began to operate according to contracts, managers were also charged with fulfilling certain responsibilities. These

measures expanded the enterprises' autonomy and gave them greater incentive to broaden their resources and their market, as well as improve their management.

A traditional foreign trade port, Shanghai is also the nation's largest industrial base. To streamline the integration of production and trade of industrial goods and promote sales of industrial products on the world market, in 1988 the municipality's textile industry began to experiment with contracted agency services for handling production and trade of industrial goods and made constant efforts to improve this pilot project. The agency system aroused the initiative of industrial manufacturers and trading departments. In addition to fulfilling the production and export quotas despite tough challenges, Shanghai also learned new ways to integrate production and trade of industrial goods.

During the Seventh Five-Year Plan period, foreign trade companies began to change their longstanding practice of letting the state take care of their profits and losses and took the first step in assuming responsibility for profits and losses. Fourteen foreign trade and industrial and trade companies of the light industrial, garment, and handicraft trades took the lead in launching reform experiments. Under the premise of being totally responsible for their profits and losses, since 1988 they have streamlined their operations, modernized their management, and made profits both in foreign currencies and renminbi. In 1989 alone, 14 companies exported \$1.99 billion in goods and turned \$320 million in foreign exchange over to the government.

Reform has reinvigorated Shanghai's foreign trade. Its exports have reached a new stage, growing steadily at an average of 9.4 percent annually. Sluggish exports experienced during the Sixth Five-Year Plan period became a thing of the past. To date, the value of Shanghai's total exports accounts for more than one-fourth of Shanghai's gross national product. The mix of its export goods is also better. While heavy industrial goods, light industrial goods, textile products, and other manufactured goods account for 85 percent of the exports, the percentage of agricultural goods and nonstaple foods dropped to 14 percent. The momentum of machinery and electronics goods export is particularly strong; these goods have now become Shanghai's second "pillar products" for export, second only to textiles. The management of foreign trade enterprises has also improved. Shanghai has now 16 secondary state enterprises and a large number of outstanding enterprises. Through integrating production and trade of industrial goods, as well as production and trade of agricultural goods, the 700 or so jointly operated factories that have been set up are now serving as soundly operating bases for producing export goods.

#### Sino-French Financial Company Opens in Shanghai

OW1512025890 Beijing XINHUA in English  
0239 GMT 15 Dec 90

[Text] Shanghai, December 15 (XINHUA)—Shanghai's second Sino-foreign financial company, Associated

Finance of Shanghai Ltd, a Sino-French joint venture, was established after an agreement was signed here Thursday evening.

The new joint venture is jointly funded by the Shanghai branch of the People's Construction Bank of China, the Shanghai Municipal Investment and Trust Company and the France Societe General.

The venture has a registered capital of 20 million U.S. dollars, of which 50 percent was provided by the French partner, and an additional 50 percent provided by the two Chinese firms. The term of co-operation is 20 years.

In November, the Shanghai International Finance Co Ltd was formed jointly by the Shanghai branch of the Bank of China, the Shanghai branch of the Bank of Communications, Sanwa Bank Ltd, from Japan, and the Bank of East Asia Ltd, from Hong Kong.

## ECONOMIC ZONES

### Hainan Attracts Foreign, Domestic Investment

OW 21121081090 Beijing XINHUA in English  
0246 GMT 28 Dec 90

[Text] Haikou, December 25 (XINHUA)—South China's Hainan Province has attracted over four billion yuan in investment from both abroad and other parts of the country during the past 10 years.

An official from the province's economic co-operation department said that the special economic zone approved 6,059 Sino-foreign joint ventures and trans-provincial co-operative enterprises from 1980 to the end of November this year.

The official said that 4,706 of these ventures accounted for over two billion yuan of investments made by other provinces and cities, while the 1,353 of the ventures with an investment of 160 million U.S. dollars were foreign-funded.

The official also said that these achievements occurred mainly after 1988 when the province was ratified as a special economic zone by the country's central government.

### Foreign-Funded Enterprise Group Opens in Hainan

OW 2312134190 Beijing XINHUA in English  
1301 GMT 23 Dec 90

[Text] Haikou, December 23 (XINHUA)—The Association of Foreign-Funded Enterprises in Hainan Province, China's largest special economic zone, was set up here today.

The association will be responsible for publicizing the government's policies, laws, rules and regulations on opening to the outside world and absorbing foreign funds, giving introduction to the province's environment

for investment, providing information about possible foreign investment and exchange experience in management of foreign-funded enterprises.

The association will also help foreign investors to let the government know their complaints, demands and suggestions. In addition, it will organize personnel training classes, academic symposiums, survey tours, exhibitions and other kinds of domestic or international exchanges for foreign-funded enterprises.

By the end of November this year, there had been 1,353 foreign-funded enterprises in Hainan Province. The contracted investment on these enterprises reaches 1.02 billion U.S. dollars. 360 million U.S. dollars had already been invested.

### Shanghai To Develop Waigaoqiao Free Trade Zone

OW 2112191590 Beijing XINHUA in English  
1335 GMT 21 Dec 90

[Text] Shanghai, December 21 (XINHUA)—The first-stage development plan for the Waigaoqiao Free Trade Zone in the Pudong Development Area of Shanghai has been formulated by the municipal government of this biggest industrial city in China.

The first stage is to develop an area of 3.66 sq km, which will contain warehouses, an administration center, trade area, export-oriented manufacturing area and residential buildings.

Yuan Yanhua, the general director of the Waigaoqiao Free Trade Zone Development Co., said that a berth, a power station, a waterworks and a canal will be built there next year.

The free trade area, planned to occupy 10 sq km, is located in the northeast of the Pudong Area.

## POPULATION

### Shanxi Releases Population Census Results

HK 1312010190 Taiyuan SHANXI RIBAO in Chinese  
9 Nov 90 p 3

[Report: "Shanxi Provincial Statistics Bureau Issues Bulletin Releasing Major 1990 Census Data"]

[Text] In accordance with the State Council leading census group's plan, in July 1990 our province carried out registration work for the fourth national census. Under the centralized leadership of governments at various levels and with the wide mass of the people's active support, the 10,000 or so census workers worked hard and triumphantly completed the census registration work. Rechecking and examining their work results found that 99.9% of all work items were up to the state specified standards. The census registration work

was a perfect success. At present, all the census information is being processed by computers. However, manually processed synoptic data has been completed and is released as follows:

1. **Total population.** The province—of 12 prefectures (cities)—now has a population of 28,759 million (excluding soldiers on active duty). The figure was obtained from a direct inquiry and registration among people of Chinese nationality and permanently residing within China, taking 0000 (Beijing time) on 1 July 1990 as the base time (no survey was carried out on the number of overseas compatriots and people of foreign nationalities residing and working within Shanxi).

Compared with the province's total population with the 25,291,500 of the third census at 0000 on 1 July 1982, the average annual population increase over the last eight years has been 433,400 people, a 13.71 percent increase for all eight years, and a 1.62 percent average annual increase [passage omitted].

2. **Family population.** The provincewide census reveals that there are 7,187,159 family households, with a population of 27,736,800, which is 96.45 percent of the total population, averaging 3.88 people for each family, 0.19 person less than the 4.07 persons in the 1982 third census.

3. **Sex composition.** Of the province's total population, males account for 14,958,600, or 52.01 percent; while 13,800,400 are female, or 47.99 percent. The sex ratio (100 females as the base) is 108.39.

4. **Nationality composition.** Of the province's total population, 28,677,000 are of Han nationality, 99.72 percent, with 81,700, or 0.28 percent, minority nationalities.

Compared with the 1982 third census data, over the last eight years the Han population has increased by 3,449,400 people, that is 13.67 percent; while minority nationality populations have risen by 18,200, or 28.49 percent.

5. **Populations classified by education levels.** Of the province's total population, 397,900 are of university (post-secondary) levels; 2,536,500 senior secondary-school (including secondary technical schools) education levels; 8,408,200 junior secondary-school education levels; and 10,270,800 of primary-school education levels (the above people of different education levels embrace the graduates, one-time students, and on-campus students of different schools). [passage omitted]

6. **Population birth and mortality rates.** The provincial births between 1 July 1989 and 30 June 1990 was 636,400 persons; the deaths in the same period was 178,400. The birth rate is 22.31 per thousand, the death rate is 6.25 per thousand, and natural increase rate 16.06 per thousand. [passage omitted]

7. **City and town populations.** Of the province's 12 prefectures (cities), 7,959,100 live in cities and towns,

which is 27.68 percent of the province's total population, of which the total city population is 5,984,400, 20.81 percent of the province's total population, and the total town population is 1,974,700, or 6.87 percent of the total population.

8. **Population regional distribution.** The populations 12 prefectures and cities are as follows

|                      |           |
|----------------------|-----------|
| Taiyuan City         | 2,710,300 |
| Datong City          | 1,277,300 |
| Yuciuan City         | 1,166,300 |
| Changzhi City        | 2,909,200 |
| Jincheng City        | 1,926,700 |
| Shuozhou City        | 667,800   |
| Yuci Prefecture      | 1,937,100 |
| Xinzhou Prefecture   | 2,678,500 |
| Liaocheng Prefecture | 2,962,400 |
| Jincheng Prefecture  | 2,841,900 |
| Linfen Prefecture    | 3,467,200 |
| Yuncheng Prefecture  | 4,214,100 |

#### Xinjiang Issues Supplement to Census Communiques

OW1312193590 Urumqi XINJIANG RIBAO in Chinese  
28 Nov 90 p 3

[“Supplement to the Xinjiang Uygur Autonomous Regional Statistical Bureau's Communiques No 2 and 3 on the Principal Data from the 1990 Census—Issued on 24 November 1990”]

[Text]

#### Principal Data From the Ili Kazak Autonomous Prefecture Census

|   |                                |
|---|--------------------------------|
| 1. Total Population                                     |                                |
| Total population in the 1990 Census                     | 3,334,777                      |
| Total population in the 1982 Census                     | 2,933,525                      |
| Percentage growth between 1982 and 1990                 | 13.68                          |
| 2. Population Density                                   | 13 people per square kilometer |
| 3. Natural Changes                                      |                                |
| Birth rate  | 22.85 per thousand             |
| Mortality rate  | 5.10 per thousand              |
| Natural growth rate                                     | 17.75 per thousand             |
| 4. Proportion of City/Town Dwellers to Total Population | 28.00 per thousand             |
| 5. Populations of 13 Major Nationalities                |                                |
| Uygur   | 450,922                        |

| Principal Data From the Ili Kazak Autonomous Prefecture Census (Continued) |           |
|--|-----------|
| Han  | 1,463,790 |
| Kazak  | 889,551   |
| Hui  | 265,851   |
| Kirgiz   | 15,200    |
| Mongolian  | 59,506    |
| Xibe   | 38,929    |
| Russian  | 4,238     |
| Tajik  | 100       |
| Uzbek  | 6,924     |
| Tatar  | 2,916     |
| Manchu   | 4,029     |
| Daur   | 4,937     |
| Others   | 58,284    |

**Xinjiang Issues Census Communique on Education**  
*OB 1412112390 Urumqi XINJIANG RIBAO in Chinese  
 28 Nov 90 p 4*

[*"Communique No 4, issued by the Statistics Bureau of Xinjiang Uygur Autonomous Region on the Principal Data of the 1990 Census—published on 23 November 1990"*]

[Text] The following are population data, compiled manually in 1990 during the fourth population census, concerning the educational level of the population and the number of illiterates and semi-literates in 16 prefectures, autonomous prefectures, and cities in Xinjiang Uygur Autonomous Region:

1. Population with different levels of education. The numbers of people with a university-level education (university level or higher), middle school level education (senior middle schools, secondary specialized schools, vocational senior middle schools, technical schools, and junior middle schools), and primary school level education are as follows:

| Location                          | University | Middle School | Primary School |
|-----------------------------------|------------|---------------|----------------|
| Urumqi City                       | 114,671    | 724,186       | 310,126        |
| Karamay City                      | 11,547     | 119,169       | 47,802         |
| Shihezi City                      | 16,523     | 293,027       | 120,841        |
| Turpan Prefecture                 | 4,645      | 127,623       | 204,919        |
| Hami Prefecture                   | 8,258      | 176,175       | 131,603        |
| Changji Hui Autonomous Prefecture | 20,374     | 312,868       | 424,600        |
| Ili Kazak Autonomous Prefecture   | 42,038     | 1,184,155     | 1,181,124      |

| Location                                | University | Middle School | Primary School |
|---|------------|---------------|----------------|
| Ili Prefecture                          | 19,488     | 581,590       | 682,675        |
| Tacheng Prefecture                      | 9,044      | 296,130       | 367,378        |
| Altay Prefecture                        | 6,754      | 187,713       | 177,887        |
| Bortala Mongol Autonomous Prefecture    | 3,083      | 129,364       | 107,244        |
| Bayingolin Mongol Autonomous Prefecture | 12,727     | 317,999       | 282,723        |
| Aksu Prefecture                         | 12,899     | 370,596       | 732,222        |
| Kizilsu Kirgiz Autonomous Prefecture    | 3,486      | 70,655        | 153,787        |
| Kashi Prefecture                        | 19,710     | 496,472       | 1,183,218      |
| Hotan Prefecture                        | 7,638      | 181,167       | 639,919        |

Among them, Urumqi, Karamay, Shihezi Cities and Hami Prefecture are the four areas where the number of people with a university-level education in every 100,000 exceeds the regional average of 1,845, with Urumqi and Karamay having the highest figure of 8,284 and 5,497, respectively. Eleven areas where the number of people per 100,000 with a middle school level education exceeds the regional average of 31,034 are, in descending order, Karamay City, Shihezi City, Urumqi City, Hami Prefecture, Changji Hui Autonomous Prefecture, Bortala Mongol Autonomous Prefecture, Tacheng Prefecture, Bayingolin Mongol Autonomous Prefecture, Altay Prefecture, Ili Kazak Autonomous Prefecture, and Ili Prefecture. Six prefectures and autonomous prefectures where the number of people per 100,000 with a primary school education exceeds the regional average of 36,423 are Hotan, Turpan, Aksu, Kashi, Kizilsu Kirgiz, and Ili.

2. The number of illiterate and semiliterate people. The number of illiterate and semiliterate people (referring to those over 15 years of age who cannot read or can read very little) in 16 prefectures, autonomous prefectures, and cities in the autonomous region are as follows:

|                                   |         |
|-----------------------------------|---------|
| Urumqi City                       | 100,609 |
| Karamay City                      | 11,508  |
| Shihezi City                      | 66,157  |
| Turpan City                       | 52,843  |
| Hami Prefecture                   | 42,896  |
| Changji Hui Autonomous Prefecture | 152,290 |
| Ili Kazak Autonomous Prefecture   | 332,309 |
| Ili Prefecture                    | 179,369 |

|   |         |
|---|---------|
| Tacheng Prefecture                      | 80,845  |
| Altay Prefecture                        | 42,454  |
| Bortala Mongol Autonomous Prefecture    | 36,442  |
| Bayingolin Mongol Autonomous Prefecture | 104,365 |
| Aksu Prefecture                         | 246,014 |
| Kizilsu Kirgiz Autonomous Prefecture    | 53,940  |
| Kashi Prefecture                        | 480,191 |
| Hotan Prefecture                        | 253,228 |

Among the 16, 12 prefectures, autonomous prefectures, and cities, whose proportion of illiterates and semi-literates to the total population is lower than the regional average of 12.75 percent are, in ascending order: Karamay City, Urumqi City, Altay Prefecture, Ili Prefecture, Ili Kazak Autonomous Prefecture, Tacheng Prefecture, Hami Prefecture, Bortala Mongol Autonomous Prefecture, Turpan Prefecture, Changji Hui Autonomous Prefecture, Bayingolin Mongol Autonomous Prefecture, and Shihezi City. The ratio of illiterates and semi-literates in Aksu Prefecture and Kizilsu Kirgiz Autonomous Prefecture is higher than the regional average of 12.75 percent but lower than 15 percent. The proportion of illiterates and semi-literates in Kashi Prefecture and Hotan Prefecture exceeds 15 percent.

#### **Yunnan Releases Census Bulletin No 4**

*HK2811091190 Kunming Yunnan Provincial Service in Mandarin 1000 GMT 27 Nov 90*

[Text] Today the provincial Statistics Bureau released bulletin No. 4 on the principal data of the 1990 provincial census, showing the number of people with different educational levels and illiterate and semi-illiterate persons.

1. Of all prefectures, autonomous prefectures, and cities across the province, Kunming and Dongchuan Cities have more citizens with a college education than the provincial average of 807 persons per 100,000, with Kunming staying in the lead and boasting 4,567 per 100,000, more than 4.7 times [as received] the provincial average. Yuxi Prefecture, Dehong Dai-Jingpo Autonomous Prefecture, Xishuangbanna Dai Autonomous Prefecture, and Honghe Hani-Yi Autonomous Prefecture are among the localities that have more than 500 persons per 100,000 with a college education but less than the provincial average of 807 per 100,000. Prefectures, autonomous prefectures, and cities that have more people with an educational level of middle school and above than the provincial average of 18,697 per 100,000 are as follows: Kunming City, Dongchuan City, Yuxi Prefecture, Dali Bai Autonomous Prefecture, Honghe Hani-Yi Autonomous Prefecture, and Chuxiong Yi Autonomous Prefecture. Those localities that have more people whose education level is primary school and above than the provincial average of 56,602 per 100,000

include Kunming City, Chuxiong Yi Autonomous Prefecture, Dali Bai Autonomous Prefecture, Baoshan Prefecture, and Yuxi Prefecture.

2. Prefectures, autonomous prefectures, and cities that have less illiterate and semi-illiterate persons than 25.44 percent of their total population include Kunming City, Dali Bai Autonomous Prefecture, Baoshan Prefecture, Chuxiong Yi Autonomous Prefecture, Yuxi Prefecture, and Dehong Dai-Jingpo Autonomous Prefecture. Those with a higher percentage than the provincial average but less than 30 percent are as follows: Xishuangbanna Dai Autonomous Prefecture, Lijiang Prefecture, Wenshan Zhuang-Miao Autonomous Prefecture, Honghe Hani-Yi Autonomous Prefecture, Qijiang Prefecture, Simao Prefecture, and Lincang Prefecture. Those with a proportion higher than 30 percent include Dongchuan City, Zhao-tong Prefecture, Degen Zang Autonomous Prefecture, and Nujiang Lisu Autonomous Prefecture.

## **TRANSPORTATION**

#### **Heilongjiang Reviews Local Rail Construction**

*SK1912070790 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 18 Dec 90*

[Summary] Our province's local railway construction developed rapidly during the Seventh Five-Year Plan period. Construction of the Nenjiang-Heibaoshan and the Beian-Heihe local railways ranked among the best in the country in terms of the construction speed and scale. The total length of the railways is nearly 400 km, and the investment in them exceeded 260 million yuan. The railways have opened to passenger and cargo transportation. Their cargo transportation volume totaled more than 1 million tons, and passenger transportation volume 180,000 persons this year.

#### **Henan Reviews Transport Improvements**

*HK1712085990 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 16 Dec 90*

[Excerpts] During the period of the Seventh Five-Year Plan, the communications, transport, and posts and telecommunications in our province, thanks to technological advancement and favorable policies, achieved the following results: infrastructure was consolidated and gained development, structure and distribution became increasingly rational, transportation and telecommunications capacity was somewhat improved.

Electrification of railways added color to the railway construction in our province. During the five years, the electrification of the section from Zhengzhou to Baoji along the Longhai line and the first-phase electrification of the section from Zhengzhou to Wuchang along the Jingguang line were completed as part of the central railway construction. There are 384 km of electrified

railway throughout the province, 17.6 percent of the combined mileage of operating railway of this province. [passage omitted]

During the period of the Seventh Five-Year Plan, Luoyang Airport was completed and so was the first phase of the site-change of Nanyang Airport. Today, there are seven fixed air routes in the province, with a total length of 2,883 km. [passage omitted]

### **Wuhan Begins Construction of International Airport**

*OW1612085890 Beijing XINHUA in English  
0842 GMT 16 Dec 90*

[Text] Wuhan, December 16 (XINHUA)—Construction of an international airport started today in Wuhan, capital of central China's Hubei Province.

The Wuhan Tianhe International Airport will cover an area of 260 hectares and involve an investment of 340 million yuan (65 million U.S. dollars).

The airport is expected to be put to use at the end of 1993. Some 44 to 80 planes including Boeing 747s and Airbus 300s, can take off and land at the airport at rush hours.

The project is contracted by the China Construction Engineering Corporation, the Wuhan Municipal Engineering Corporation and air force units.

### **Air Services Expand in Inner Mongolia**

*SK1512150490 Hohhot Inner Mongolia Regional Service in Mandarin 1100 GMT 14 Dec 90*

[Summary] During the Seventh Five-Year Plan period, the region has made rapid development in the civilian aviation industry. Over the past five years, the civil aviation administration of the Inner Mongolia Autonomous Region has invested 75.5 million yuan in rebuilding airports. As a result, the daily transportation capacity of the region's airports increased by 6.1 times, and the airports of Hohhot, Baotou, Chifeng, and Hailar can allow landing of middle-sized aircraft. The Hohhot and Baotou airports provide services day and night.

Over the past years, the region has opened 26 new air routes linking areas within the region or linking the region with other places, and it has opened air lines to 18 cities, including Guangzhou, Wuhan, Shenyang, Xian, Shijiazhuang, Nanjing, and Shanghai.

### **Inner Mongolia Reports Rail Growth**

*SK1812053090 Hohhot Inner Mongolia Regional Service in Mandarin 2300 GMT 17 Dec 90*

[Summary] During the Seventh Five-Year Plan period, the region has made rapid development in the construction of railway lines. In 1990, the region's railway service mileage reached more than 6,000 km, the annual goods transportation volume was 60 million tons, and more

than 33 million passengers were transported, respectively showing an increase of 9 percent, 17.5 percent, and 19.2 percent over 1985.

### **Liaoning's Bayuquan Harbor Increases Capacity**

*SK1012100190 Shenyang Liaoning Provincial Service in Mandarin 2300 GMT 8 Dec 90*

[Summary] Great achievements were made in the construction of Bayuquan Harbor in Yingkou City, which is one of the state's key projects during the Seventh Five-Year Plan period. On 7 December, four deep-water berths passed the state acceptance test and went into operation. Hence, the deep-water berths in Bayuquan Harbor have increased from three to seven in number, with a total handling capacity of 7.2 million tons. The formal construction of Bayuquan Harbor began in June 1984. The first 30,000-ton-class coal wharf went into operation in October 1986. By 1989, two 10,000-ton-class wharves for sundry goods went into operation, with a total handling capacity of 600,000 tons. Since its opening to the outside world in 1986, Bayuquan Harbor has received a total of approximately 500 domestic and foreign cargo vessels. It opened regular shipping lines running from Yingkou to Hong Kong and from Yingkou to Japan. It has handled nearly 2 million tons of cargo. With the operation of the four new deep-water berths, the handling capacity of Bayuquan Harbor in Yingkou has greatly increased. The harbor operations have improved each day. It will play a more important role in promoting economic development and opening in northeast China.

### **Liaoning's Jinzhou Port Creates Opening to Outside**

*OW1212104990 Beijing XINHUA in English  
1032 GMT 12 Dec 90*

[Text] Shenyang, December 11 (XINHUA)—Northeast China's Liaoning Province has further opened to the outside world since its Jinzhou Port began receiving foreign ships earlier this month.

At present the province has a total of four ports open to overseas vessels. These ports, which together have 103 operational berths, had an annual handling capacity of 54 million tons last year, an increase of 60 percent over that in 1980. In addition, they have ongoing business relations with more than 140 countries and regions.

Last year, these ports handled 35.92 million tons of import and export goods. The 27.21 million tons of export goods handled at the port last year marked an 85 percent increase over that in 1980.

According to the provincial shipping bureau, even though the province has sped up port construction over the past decade, Liaoning's ports cannot meet the needs of the ever increasing shipping business.

It is reported that the central and local governments have decided to increase the province's port handling capacity in the coming years.

### Tibet Opens New Highway to Nepal

OW1112193490 Beijing XINHUA in English  
1515 GMT 11 Dec 90

[Text] Lhasa, December 11 (XINHUA)—A 177.9 kilometer section of highway linking China with neighboring Nepal opened to traffic in Tibet today.

The section begins in Quxu County, near the capital city of Lhasa, and ends in Dazhu County near Xigaze, a leading industrial center in the region.

Compared to the circuitous highway built in this area in the 1960s, the new route has reduced the highway distance by 100 kilometers.

Construction of the new highway required four years and an investment of 100 million yuan, said a project official.

Experts say that construction of the highway in Tibet, a region with a very complicated geological structure, is a breakthrough in the history of China's road construction.

The highway will make it possible for visitors to drive from Lhasa to Xigaze in just four hours, a quite remarkable achievement considering that in 1952 the 10th panchen, Erdini Qoigyi Gyaincain, spent 26 days on a tour from the Xigaze based Zhaxi Lhunbo Lamasery to Lhasa.

## AGRICULTURE

### Sugar Yield Hits All-Time High

HK3012024690 Beijing CHINA DAILY in English  
29 Dec 90 p 1

[By staff reporter Wu Yunhe]

[Text] China's total sugar crop yield for this year hit an all-time high to surpass 66 [as published] million tons, the Ministry of Agriculture announced.

The bumper harvest is expected to fuel an upsurge in the country's sugar production which is expected to hit at least 6 [as published] million tons this year, according to the ministry.

The output of sugar for this year marked an increase of 15 percent over last year.

Since the start of this year, the farmers have expanded their sugar crop acreage by more than 100,000 hectares over that of last year. Their enthusiasm, according to a Chinese expert, was sparked by an average rise of 15 yuan per ton in the buying price for sugar crop this year.

And the favourable weather conditions in many sugar-crop producing areas also helped the increase in output, he added.

The country's sugar production depends on domestic crops of beets in North China and sugarcane in South China.

So far, the country has not yet set up any State-subsidized sugarcrop production center in rural China, as has been done in the case of grain. Such centers enjoy regular financial, technical and irrigation aid from the State to help them keep a steady growth in production.

The expert said that a major effort would be made over the next five years to sharply increase the sugar-crop production.

As a result of these efforts, China's annual sugar output is expected to climb to about 7.5 million tons by the end of 1995, a 25 percent increase from this year's estimate of 6 million tons.

This is aimed at narrowing the gap between supply and the country's increasing demand for sugar. The current domestic demand for sugar is estimated at around 8 million tons per year.

The government is now planning to set up sugar crop production centers in 50 counties in the next five years.

### Danish Government Loan To Boost Dairy Industry

HK2612024890 Beijing CHINA DAILY in English  
26 Dec 90 p 2

[Text] China and Denmark are forging ahead with cooperative efforts in the field of dairy processing.

According to an official from the Ministry of Foreign Economic Relations and Trade (Mofert), the Danish government has provided China with 300 million Danish kroner (\$50 million) in loans and grants over the past few years to help build seven dairy factories in Beijing and Shanghai and the provinces of Heilongjiang and Liaoning.

These factories, with technology and equipment imported from Danish Turnkey Dairied Ltd. were capable of processing 810 tons of dairy products a day, including sterilized milk, milk powder, yoghurt and ice cream, the official said, adding that these products had helped ease the shortage of dairy products for urban residents.

Meanwhile, the Danish government had helped set up two dairy technology training centres in Heilongjiang Province and Shanghai to upgrade the technical level of dairy product processing.

And it had given more than 30 million Danish kroner (\$5 million) in grants to construct a sewage treatment project in Handan, Hebei Province, the official said.

### South Korea Buys More Corn

OW3012122590 Beijing XINHUA in English  
1158 GMT 30 Dec 90

[Text] Beijing, December 30 (XINHUA)—China has exported 800,000 tons of corn to South Korea in 1990, according to a trading official here today.

China has achieved a bumper corn harvest this year, thus enabling it to sell food at bargain prices.

According to estimates, South Korean fodder producers will purchase one million to 1.5 million tons of corn from China each year in the future.

South Korea imported a total of 5.528 million tons of corn in 1988, including 4.525 million tons from the United States, 384,000 tons from Thailand and 282,000 tons from China.

### Increased Cotton Production Planned

HK1912023290 Beijing CHINA DAILY in English  
19 Dec 90 p 1

[By staff reporter Xie Liangjun]

[Text] China plans to produce 4.5 to 5 million tons of cotton a year in the coming Eighth Five-Year Plan period (1991-95) through applying scientific and technological methods in cotton production, a high-ranking official with the Ministry of Commerce said in Beijing yesterday.

The output target was a reflection of the wide gap between cotton supply and demand which had prevailed in China in recent years, the official said.

As of December 10 this year, China's commercial departments had purchased 3.45 million tons of cotton from farmers, 300,000 tons more than in the whole of 1989.

But the official, who asked not to be identified, said the total demand for cotton in the Chinese market stood at about 5 million tons, and was likely to rise further with the rapid development of China's textile industry.

Cotton production had started an upward movement this year after stagnating since 1984, when Chinese commercial departments had bought a record 5.85 million tons from farmers, the official said.

The official attributed the improvement in output this year to big increases in the purchasing price, favourable weather conditions, and more widespread application of scientific and technological methods in cotton production.

The State purchasing price for cotton was raised by 17 percent to 300 yuan (\$58) per 50 kilograms this year.

And it was agreed, the official said, that further growth in cotton output would rely on rises in per unit area yields,

which depend on the nationwide use of scientific and technological methods in cotton production.

According to the official, the planned cotton output in the coming five years could be achieved if output per hectare hit 1,500 kilograms in South China and 1,125 kilograms in North China. These targets had already been realized in a few major cotton producing counties in the past two years.

The official also said that Chinese rural supply and marketing cooperatives had been mobilized to offer scientific and technological assistance to serve cotton planters.

The assistance included:

—Setting up "crop clinics" which monitor and forecast possible plant disease and insect pests as well as give instruction on how to use pesticides and agricultural chemical fertilizers.

—Training local agro-technicians and offering consulting services to farmers.

—Popularizing fine and improved varieties of cotton.

These efforts, the official said, had so far paid off as the average per-hectare cotton output last year had risen by 49 percent compared with the figure 10 years ago.

### Targets Set for Animal Husbandry Development

OW1412181190 Beijing XINHUA in English  
1527 GMT 14 Dec 90

[Text] Beijing, December 14 (XINHUA)—China has set a yearly meat production target of 33.75 million tons by the end of the century.

If this production target is realized the per capita meat consumption would reach 27 kilograms, or an increase of 28.5 percent over 1989.

A report issued by the national committee of regional planning and based on the market demand for meat, eggs and milk, reveals that considering potential forage increases and existing and future grain production, China will be able to produce 12.5 million tons of eggs, or 10 kilograms per capita, and 10 million tons of milk, or eight kilograms per capita, by the year 2000.

In an effort to realize the targets, China will concentrate on the establishment of meat production bases around large and medium sized cities and in the central provinces. The major meat producing provinces of Hunan, Hubei, Henan, Hebei, and Shandong will receive special support for pork production efforts.

At the same time, the country will speed the construction of beef production bases in the north, northeast and in the mountainous regions in Yunnan, Guizhou and Sichuan provinces. In addition, priority will be given to construction of mutton production bases in north China.

**Fujian Increases Granary Capacity**

HK2612060490 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 23 Dec 90

[Text] Governments and grain departments at all levels mobilized all social sectors to overcome difficulties in storage of grain and successfully fulfilled the grain procurement and storage quotas assigned by the state.

By 20 December, this province had stored 1.11 billion kg of grain ordered by the state, overfulfilling the relevant quota. Nanping Prefecture overfulfilled its quota by 5.94 million kg with 604 peasant households selling over 10,000 jin of grain to the state.

Shortage of granaries had been the main difficulty in purchasing peasants' grain for this province. It was expected before the autumn harvest that there would be no barns for several hundred million kg of grain province-wide, of which some 270 million kg in Nanping Prefecture would find no place for storage.

To overcome peasants' difficulty in selling grain, all localities made every effort to make room for additional grain, including increasing the height of or combining barns, piling up the grain in the open, transporting it to other places at an early date, and so on. At the same time they built more granaries. Before the autumn harvest the provincial government invested 6 million yuan in building simple barns which were expected to store 120 million kg of grain.

The province has spent a total of 39 million yuan on increasing the capacity of granaries this year to store an additional 240 million kg of grain, solving the peasants' difficulty in selling grain and the state's difficulty in storing grain to a certain extent.

All local governments also called on all organs including enterprises, institutions, and army units to rent out their vacant warehouses to grain departments. It is estimated that by late November, the leased barns had stored a total of 300 million kg of grain across the province.

**Gansu Rural Economy Sees 'All-Around Development'**

HK1412152190 Lanzhou Gansu Provincial Service  
in Mandarin 2300 GMT 13 Dec 90

[Text] This year, our province's rural economy has witnessed an all-around development. Total agricultural output value is expected to exceed 5.5 billion yuan while total grain output is expected to exceed 6.7 million jin, representing a 4.04 percent increase and a five percent increase respectively, over last year. [words indistinct]

This year, our township and town enterprises have overcome such difficulties as lack of funds, qualified personnel, and raw materials as well as the price hikes of production means, and have maintained a relatively rapid development. By the end of September, the total export earnings of township and town enterprises had

reached 4.49 billion yuan, representing an 18.71 percent increase over the corresponding period of last year. It is estimated that the peasants' per capita income will reach 400 yuan this year.

At present, agricultural production is still plagued by slow product sales. This situation merits the attention of the departments concerned.

**Development of Irrigation System Aids Gansu**

OW2912074190 Beijing XINHUA in English  
0306 GMT 29 Dec 90

[Text] Yinchuan, December 29 (XINHUA)—Development of an irrigation system over four decades in northwest China's Gansu Province has brought over 600,000 hectares of cropland under irrigation, compared with only 310,000 hectares in 2,000 years preceding the birth of New China in 1949.

Construction began in 1949, and the system now encompasses over 300 reservoirs, in excess of 33,000 wells and over 4,400 electric pumping stations. An irrigation system of this magnitude, commented an official from the province's water conservancy department, is a rarity in the country.

The system has greatly benefited agriculture in the province, where there are over one million hectares of paddy fields. Today, only one-fifth of the province's cropland yields over one-half of the overall grain output, a six-fold increase over four decades ago.

In addition, the irrigation system has eliminated the water shortages in saltwater areas and during dry seasons. Water shortages, which used to effect both the people and their livestock, are now nonexistent. The water quality and accessibility has greatly improved for the province's population.

**Guizhou Reaps Bumper Grain Harvest**

OW1512130790 Beijing XINHUA in English  
1247 GMT 15 Dec 90

[Text] Guizhou, December 15 (XINHUA)—Local farmers in southwest China's Guizhou Province reaped an additional 375 million kg of grain and earned an extra 370 million yuan this year, thanks to the implementation of a project aimed at uprooting the poverty in the province.

To guarantee that the project, which involved 1.27 million farming households, developed as planned, the province invested 74.85 million yuan in funds, 1,963 tons of plastic sheeting, 23,000 tons of nitrogenous fertilizer and 55,000 tons of phosphate fertilizer.

In addition, the province allotted a total of 40 million yuan in the form of discount loans to help the poor farmers, and sent more than 10,000 technical and scientific workers to instruct them in production procedures.

Statistics from the provincial agricultural departments reveal that the per hectare hybrid rice output increased by 2,224 kilograms, per hectare improved wheat increased by 688 kilograms, plastic film-covered crops were up by 1,500 kilograms and hybrid rape rose by 825 kilograms, respectively.

#### Hainan Plans Agricultural Development Zone

OW 2812083590 Beijing XINHUA in English  
0819 GMT 28 Dec 90

[Text] Haikou, December 28 (XINHUA)—Preparations for an agricultural development zone to be established in south China's Hainan Province is going smoothly, according to an official in charge of the project.

Wang Hongchang said the development zone, the first of its kind in China, will cover 243,000 hectares of farmland in four counties—Qiongshan, Danxian, Dongfang and Ledong. It will take advantage of the abundant land and subtropical resources in the province to develop crops, animal breeding, and food processing. The products are expected to be sold on both domestic and foreign markets.

At present, the management committee of the zone is planning to set up a 200-ha processing area for agricultural products in Qiongshan County, eight km from the provincial capital, Haikou.

Dozens of businessmen from both China and foreign countries have already discussed co-operation with officials in charge of agriculture development in the province.

A U.S. corporation has signed an investment memorandum with the province to set up such enterprises as a paper mill, edible oil plant and feed-processing plant.

Wang said that the province has so far raised 73 million yuan for the project, and an additional 200 million yuan in loans is expected to be obtained within three to five years.

According to him, regulations concerning investment and land use in the zone will be announced as soon as approval has been received from the provincial government.

#### Joint Venture Fertilizer Company Opens in Hebei

OW 0101193091 Beijing XINHUA in English  
1509 GMT 1 Jan 91

[Text] Shijiazhuang, January 1 (XINHUA)—The Sino-Arab Chemical Fertilizer Corporation Ltd. in Qinhuangdao was recently completed and will begin official production in the near future.

The corporation is a joint venture between China, Tunisia and Kuwait. Construction of the project began in October 1988 with an investment of 58 million U.S. dollars.

The corporation, which will use advanced equipment and technology imported from France, will produce over 480,000 tons of ammonium phosphate or 600,000 tons of compound fertilizer (npk), annually.

The corporation will be the largest ammonium phosphate works in China and will help increase the country's output of compound fertilizer and boost agricultural development in north China, according to the corporation's Tunisian general manager.

#### Hunan Reports Good Hybrid Rice Seed Harvest

HA 2412091400 Changsha Hunan Provincial Service  
in Mandarin 2300 GMT 19 Dec 90

[Excerpts] This year, our province reaped a good hybrid rice seed harvest with reproduction output, per unit area yield, and total output reaching an all-time high.

Our province's total hybrid rice seed reproduction area reached more than 24,000 mu with per mu yield reaching 133 kilograms and total output reaching more than 3.28 million kilograms, representing a 16 percent increase over the all-time high attained in 1984. [passage omitted]

This year, in carrying out hybrid rice seed production, our province further consolidated the existing pattern [words indistinct], comprehensively implemented various technical measures, mobilized the peasants' enthusiasm, and realized a large-scale and balanced production increase. As a result, a batch of high-yield models have emerged. [passage omitted]

#### Liaoning's Rural Areas Become Prosperous

SK 1512145890 Shenyang Liaoning Provincial Service  
in Mandarin 1030 GMT 14 Dec 90

[Summary] During the Seventh Five-Year Plan period, the majority of the peasants across the province have solved the problem of food and clothing, thanks to the further implementation of the party's policies on making the people rich.

In 1990, the per capita net income of the peasants of the province reached 780 yuan, showing an annual average increase of 9.9 percent in the past five years. The number of poor rural households whose per capita income was lower than 200 yuan was reduced from 29 percent in the Sixth Five-Year Plan period to 3.7 percent in the Seventh Five-Year Plan period, and the number of rich rural households whose per capita income was more than 1,000 yuan rose from 3 percent to 23 percent.

#### Animal Husbandry Production Rises in Liaoning

SK 1812064190 Shenyang Liaoning Provincial Service  
in Mandarin 1030 GMT 17 Dec 90

[Summary] During the Seventh Five-Year Plan period, the province has witnessed a steady increase in animal husbandry production. According to the statistics of the

provincial statistical bureau, by the end of this year, the province's total output of meat is expected to reach 829,000 tons; that of eggs, 41,000 tons; and milk, 137,000 tons, respectively showing an increase of 35 percent, 34.1 percent, and 34.3 percent over the Sixth Five-Year Plan period.

### Liaoning 1990 Grain Output Reaches New High

SK3112053290 Shenyang Liaoning Provincial Service in Mandarin 2,000 GMT 29 Dec 90

[Summary] Liaoning Province's grain output reached 14.95 billion kg this year, an all-time high. Its output of cotton and oil-bearing seeds also showed more than 100-percent increase over last year. Its production of forestry, animal husbandry, fishery, and cottage industry products developed comprehensively. The output of fruits, meat and aquatic products all registered all-time records, reaching 1.45 million tons, 829,000 tons, and 1.05 million tons, respectively. In the past five years, the province's newly added irrigated areas exceeded 2.9 million mu, and more than 7 million mu of irrigated areas were improved. The province's township enterprises also developed in a sustained and stable manner. Their output value totaled more than 46 billion yuan this year, an increase of 9.5 percent over last year.

### Cotton Production Up in Liaoning

SK2512050690 Shenyang Liaoning Provincial Service in Mandarin 2,000 GMT 22 Dec 90

[Summary] The province sowed 325,000 mu of cotton this year, an increase of 82,000 mu over last year, and the total cotton output reached 13,500 tons, an increase of 3,500 tons.

### Ningxia Drafts Measures on Agricultural Production

OW0101010091 Beijing XINHUA Domestic Service in Chinese 21,10 GMT 29 Dec 90

[By reporters Wang Mancang (3769 3355 3318) and Shi Haibo (1597 3189 3134)]

[Text] Yinchuan, 30 Dec (XINHUA)—At the end of this year and the beginning of a new, Ningxia Hui Autonomous Region is seriously analyzing the rural situation, checking on its accomplishments to see where it lags behind, thinking about the hard times while the times are good, and studying and formulating measures to raise next year's agricultural production to a higher level.

This year, Ningxia's grain production was a record 1.917 billion kg. There was a relatively large increase in the output of major cash crops, such as oil-bearing crops and sugar beet. There also were new developments in animal husbandry, forestry, and village and town enterprises. The region's total rural output value may reach 5.3 billion yuan, a 10.7 percent increase over last year. The peasants' annual per capita net income may reach 570

yuan, an increase of 32 yuan over last year. The autonomous regional party committee and government maintained, however, that, while noticing the satisfactory aspects of regional agriculture, it also is necessary to be aware of the existence of certain very grim agricultural conditions. During the "Seventh Five-Year Plan" period, the average annual grain production level throughout the region reached only 1.652 billion kg, which was far behind the target of a total 2.3 billion kg grain production by the end of the century. The task of steadily increasing the overall production capacity is very arduous. In addition, because of the increase in population and the decrease in cultivated land, the regional per capita grain output tended to drop. Consequently, they maintained that, as an agricultural region, Ningxia definitely should not be blindly optimistic and take the situation lightly because of successive bumper grain harvests over the years. Agriculture's position as the basis of the economy always should be strengthened, and not be slightly shaken or weakened. To implement this ideology, the autonomous regional party committee and government decided to undertake the following major measures next year:

—Continue to stabilize the rural policies. The autonomous regional party committee and government announced. The various localities should not make changes on land already contracted so long as the masses are basically satisfied. Management of land on an appropriate scale should be undertaken in accordance with the wishes of most of the masses. We should respect the peasants' choices, and not force the measures upon them.

—Accelerate the pace for comprehensive agricultural development. It is necessary to continue to do well in the Yanhuanding Project, the World Bank-funded Yinnan Project for Expanded Irrigation, and the first phase of the comprehensive agricultural development project in the Helao Irrigation Zone. We should strive to make them yield results as soon as possible. Next year, through comprehensive development, the whole region should increase the area under irrigation by 100,000 mu and transform 200,000 mu of low- and medium-yielding farmland.

—Continue to pay close attention to grain production and vigorously promote a diversified economy. Next year, the regional grain acreage should be maintained at or above 10.5 million mu, and great efforts should be made to increase grain production steadily. In addition, it is necessary to develop the court-yard economy, expand the acreage of cash crops, and increase the effective supply of agricultural and sideline products.

—Continue to persevere in "developing agriculture through science and technology." Stress should be placed on promoting the application of scientific and technical results and applicable techniques, such as the use of improved varieties, systematic cultivation

of high-yielding strains, optimized application of fertilizers, transformation of low- and medium-yielding farmland, and conservation of water and energy. It is necessary to establish and perfect the various systems of technical services, and also the measures for implementing the "bumper harvest plan" and "group contract" systems.

### **Qinghai Agriculture, Animal Husbandry Grow in 1990**

HK0201095291 Xining Qinghai Provincial Service in Mandarin 2300 GMT 1 Jan 91

[Text] Our province's agricultural production and animal husbandry production witnessed a comprehensive development in 1990.

Since the winter of 1989, party and government organs at all levels in our province have sent cadres in batches to rural and pastoral areas to publicize the party's principles and policies, thus stabilizing people's sentiments. In the meantime, they have also carried out investigations and research and helped peasants and herdsmen fulfill their production plans and tackle realistic problems in their production.

Our province's total agricultural output value in 1990 is estimated to have reached 1.2 billion yuan as calculated according to the constant prices in the year 1980, representing a 3.9 percent increase over the year 1989. Our province's total grain output in 1990 is estimated to have reached 1.14 million tons, reaching another all-time high. The amount of livestock on hand in 1990 gained a 1.48 percent increase compared with the year 1989. The output of such major animal husbandry products as sheep's wool, meat, eggs, milk, and so on, also saw an increase.

### **Shandong Grain Output Hits Record High**

SA2712101490 Jinan DAZHONG RIBAO in Chinese 14 Nov 90 p 1

[By Chen Yingsheng (7115 5391 0524): "Our Province Creates an All-Time Record in Grain Output This Year"]

[Excerpt] According to statistics of pertinent departments, the province's 1990 total grain output came to 34.8 billion kg, hitting an all-time high, and showing an increase of 2.3 billion kg over last year, and an increase of 870 million kg over 1987 the highest record in history.

There were two characteristics in this year's grain production. One was that both the areas sown to grain and per-unit yields increased. The area sown to grain totaled 121.91 million mu, an increase of 1.03 million mu over last year, and the per-unit yield was 285 kg, an increase of 16 kg. The other was that both summer grain and autumn grain showed increase. The output of summer grain increased by 800 million kg over last year, and that of autumn grain by 1.5 billion kg. [passage omitted]

### **Sichuan Increases Silkworm Cocoon Harvest**

OH 2012103390 Beijing XINHUA in English 0942 GMT 20 Dec 90

[Text] Chengdu, December 20 (XINHUA)—Sichuan, China's largest silk producer, has harvested 895,000 tons of silkworm cocoons this year, up 5.9 percent over last year's record high.

The province also purchased 4.5 percent more silkworm cocoons this year, marking a 4.5 percent increase over last year's purchases, a provincial official said today.

He attributed the record harvest to local administrations' efforts to encourage silkworm cocoon production.

The purchasing price of silkworm cocoons this year nearly doubles that of 1983. Local governments have also drawn up preferential policies to boost silkworm production.

During the past five years the province's silkworm cocoon output has been increased by an average of five percent. And in recent years mulberry fields have been increased by about 6,700 ha each year.

Statistics show that Sichuan exported 180 million U.S. dollars worth of silk products during the first 11 months of this year.

### **Sichuan Overfulfills 1990 Afforestation Target**

OH 2012080690 Beijing XINHUA in English 0732 GMT 28 Dec 90

[Text] Chengdu, December 28 (XINHUA)—Southwest China's Sichuan Province has overfulfilled this year's state afforestation target along the middle and upper reaches of the Yangtze River in the province.

By the middle of this month the province had planted 270,000 ha of trees; the target set by the state was 220,000 ha.

About 79,000 ha were key forests co-funded by central and local governments. The other 191,000 ha were planted by local afforestation teams and by voluntary organizations.

Forest vegetation on the middle and upper reaches of the Yangtze River in southwest China has been decreasing rapidly as result of decades of human activity, causing severe soil erosion and frequent natural disasters, especially in hilly areas.

According to the program to plant shelterbelts of trees along the middle and upper reaches of the Yangtze, 20 million ha of trees will be planted in the next 30 to 40 years.

**Figures Released on Xinjiang Cotton Output**

*OW 3112114790 Beijing XINHUA Domestic Service  
in Chinese 0417 GMT 28 Dec 90*

[Text] Urumqi, 28 Dec (XINHUA)— The latest statistical data of the Xinjiang Autonomous Region Statistical Bureau shows: The total output of cotton in the whole region is expected to reach 350,000 tons this year, which is 21 kilograms of cotton per capita, and five times that of the national average.

This year, Xinjiang overfulfilled the total cotton output target set in the Seventh Five-Year Plan by 47 percent, an increase of 86 percent over 1985.

The sown acreage of long-staple cotton in the whole region is 1.3 times over 1985. Now, not only has Xinjiang become the nation's only base for long-staple cotton production, its products also basically met the needs of the domestic market. Export of cotton also contributed to foreign exchange earnings for Xinjiang.

Initial projection shows that based on the population average in cotton-growing areas, per capita net income from cotton-growing will increase to over 100 yuan this year.

**Sino-U.S. Cattle Joint Venture Opens in Xinjiang**

*OW 3012085490 Beijing XINHUA in English  
0807 GMT 30 Dec 90*

[Text] Urumqi, December 30 (XINHUA)—The Sino-U.S. Beef Cattle Co. Ltd., a Sino-U.S. joint venture, opened for business recently, in the minority ethnical region of Xinjiang, northwest China, according to the regional sources.

With a 20 year contract maturity agreement, the venture is jointly run by three local companies and the China Animal Products Trading Co. Ltd. of the United States.

The business operations required a total investment of 21.39 million U.S. dollars, with the Chinese and American sides contributing three million U.S. dollars each and the rest being financed by loans from a foreign bank.

The joint venture will breed 40,000 beef cattle and 60,000 sheep, and produce 8,000 tons of fresh and frozen meat and sideline products annually.

When conditions are right, the joint venture will expand its business to include leather processing and pharmaceuticals.

The project is expected to sell more than 75 percent of its products to foreign markets.

### Illegal Peddling of Prescription Drugs Exposed

91CM0004 Shanghai WENXUE BAO in Chinese  
15 Nov 90 p 8

[Article by Sun Zemin (1327 3419 2404); "Tracking Down the Prescription Drug Peddler Guerrilla Detachments"]

[Excerpts] [passage omitted] In marvel-filled greater Shanghai, some devilish circle phenomena frequently occur that stir people's emotions and make them stop and think deeply.

What is a devilish circle?

By devilish circle is meant a situation such as the following: Something begins in one place, goes through a tortuous process, and then, surprisingly, one finds that it has returned to the place where it began.

The devilish circle that this article reveals concerns pharmaceuticals, which are closely linked to people's physical health. The writers attempt to use the lens of a camera to track down certain devilish circle phenomena in the pharmaceutical circulation process, and they invite readers to accompany them in understanding and thinking about the picture that unfolds.

One autumn morning, a cream-colored van stopped at the entrance to the Yichuan police station in the Putuo District of Shanghai. Pretty soon, several people came out of the police station, got into the van, and the van went along Yichuan Road in the direction of Jiaotong Road West.

After crossing the Zhongshan Road North bridge, the van stopped at an open space alongside Jiaotong Road West. Four people got out, talked to each other very briefly, and then split up to take two different routes into the tortuous alleyways off Jiaotong Road West.

Two of the people were members of the Yichuan District "round-up squad" [gongjiudui (1562 4763 7430)]; one was the broad-shouldered, thick-waisted, mellow-voiced, rough-and-ready photographer from the video-camera section of the Rule of Law Propaganda Section of the Shanghai Municipal Public Security Bureau, Cui Shixin [1508 1102 2450], nicknamed Big Cui. One was the writer, a correspondent from the Shanghai Television Station's "News Perspectives" program.

No one could discern our identities, dressed as we were in civilian clothes with only one person carrying a concealed walkie-talkie, which he used quietly to maintain communications with the van parked on Jiaotong Road West in which sat Big Cui's partner, Young Shen. [passage omitted]

Four pairs of eyes silently search the tortuous alleyways like the sharp eyes of hunters seeking the quarry they want to catch—prescription drug peddlers.

This is the "home base" of the "prescription drug peddler guerrilla detachment." The comrades from the

police station told us that they found this out not long ago when Big Cui sent some snapshots confirming the activities of the prescription drug peddlers to the Yichuan police station. A big gang of drug peddlers from Anhui, numbering at least over 100, who live in inns or residents' homes in the vicinity of Jiaotong Road West, go from street to street and lane to lane during the day buying all kinds of medicines at low prices from families in new villages in the Pudong or Puxi districts. Then they sell them to private individuals or certain official units. Reportedly, some people from Anhui go so far as to have local units or individuals buy the medicines that the prescription drug peddlers collect. Just why they do it goes without saying.

During the activity reported, the police collected nearly two tons of medicines. Among the dazzling array of pharmaceuticals, in addition to pulse-activating beverages, common cold cures, musk and tiger bone [Panthera tigris] ointment, compound proprietary ginseng tablets, and such common [Chinese herbal] medicines, were also fairly difficult-to-compound fine medicines such as 39 Stomach Soother, and Stomach Elixir-U, as well as some imported pharmaceuticals that even the street clinic doctors had never seen. The cadres and police at the Yichuan police station had doctors from the street clinic estimate their value, which they placed preliminarily at between 70,000 and 80,000 yuan.

This was really astounding information. It was fantastic news. Everyone realized that these were special commodities having a bearing on people's physical health that have always moved through pharmaceutical company and hospital channels in China. They never thought that a devilish circle-like route would pop up.

When Big Cui gave this information to the "News Perspective" correspondent, the correspondent became very interested at once. Exactly! Run down the "prescription drug peddler guerrilla detachment" and get pictures to show the devilish circle phenomenon on television screens so that viewers can see who is hiding behind the "devilish circle." [passage omitted]

The special marks of the prescription drug peddlers usually were a black bag, a towel in one hand, and an Anhui accent. When they emerged here, usually the black bag was empty, and the towel was to wipe the sweat away after they had been walking a while. The richly experienced young lads in the "round-up squad" told me that "around 0900 every morning, which is at this time of day, they start out from here in twos and threes. Watch. That young person up ahead wearing the dark green T-shirt looks like a prescription drug peddler." [passage omitted]

Suddenly, he looked back and entered a new village alleyway. By the time the "round-up squad" and Big Cui came rushing up, the cunning "fox" was nowhere to be seen.

"He is certainly in this row of buildings, which looks as though it may very well be a purchase concentration

point." Otherwise, he wouldn't be so familiar with this place. We'll wait outside." The several people talked it over, deciding to put out their hook and wait.

This was a new village area where row after row of just-finished six-story buildings stood. Not far away, an excavator was still working.

Half an hour, and then an hour passed without a trace. It was now 1230. While one person continued to wait, Big Cui and I ambled around the new village in an effort to find new quarry.

Another young man wearing a long-sleeved shirt and carrying a black bag passed by. He looked at us, hesitated a moment, and then said, "Sir, do you have any medicine?"

"What medicine?" I was pleasantly surprised that another man with an Anhui accent asked for medicine. I might have worn out a pair of iron shoes trying to find one, but I found one without any effort. However, in order not to reveal my identity, I remained calm and collected while I asked, "Do you mean prescription drugs like 39 Stomach Soother?"

"Yes. Do you want to sell some?" The young lad's eyes lighted up.

"How much a box?"

"Nine yuan."

"Nine yuan. You really know how to fleece people." I purposely haggled with him.

"We can talk about the price," the young lad said with a wink.

"Come back in two days. I don't have any drugs now," I stalled, and started to leave. As soon as I turned, I hurried back to the van. Unfortunately, Big Cui was also out looking for "quarry" in the new village. It was too late for the video camera to follow the man I had just talked to.

I was stamping my feet with annoyance when suddenly Big Cui appeared from the alleyways holding a prescription drug peddler like a small chicken. When I looked, it turned out to be the young thin guy I had just talked to. Before the yak-like Big Cui, he trembled like winnowed chaff.

"Get into the van! Take us to that resident's house!" he commanded imperiously.

The van went around two curves and stopped before a six-story building. The house number plate proclaimed this to be No. 6 Dongchang Road.

As the video camera lens aimed at the doorway of the residence, and as our group of uninvited guests abruptly appeared before the several young occupants, they

looked dumbstruck. However, when they saw the newly returned prescription drug peddler, they suddenly understood.

"Were these the people who sold to you?" I asked placing the microphone in front of the prescription drug peddler.

"Yes." The prescription drug peddler did not dare raise his head.

"Let me ask you. Did you sell drugs to him?" I extended the microphone to a young man wearing glasses.

"I didn't sell him anything," the one wearing the glasses denied flatly.

"I'm the one that sold it to him," a young woman wearing a sleeveless dress said with a quavering voice. "It was just a passing thing."

"What prescription drugs did you buy?" I asked turning to the prescription drug peddler.

"A little common cold cure and rheumatism medicine," the drug peddler answered pitifully.

"What price?"

"0.50 and 0.60 yuan."

"Let me ask. Where did you get your prescription drugs?" I asked the woman again.

"Uh... the family had it." The woman was so flustered she had trouble finding the right words.

"I took this medicine," the man wearing the glasses said, coming to the rescue of the woman.

"Then the drugs were prescribed by the clinic, were they?"

"Yes. The factory clinic prescribed them for me," the man blurted out unintentionally.

When we left these residents' house, we continued to question the drug peddler about where the other prescription drugs came from.

"I'm telling the truth. I bought this box of 39 Stomach Soother from the people in the house we just left. They didn't want me to say so, so I didn't dare say so," the drug peddler pleaded.

"How much a box?"

"Fifteen yuan."

"Fifteen yuan? When I just ran into you, you said 9 yuan, didn't you?"

"Uh, I'm not... not sure," the drug peddler equivocated.

"What other drugs do you have?"

A man on a bicycle sold me the other medicine. I don't know where he lives," the drug peddler hurried to

explain, fearing that we might make him lead the way again. "My home is in Anhui. My father is sick, and my family is poor. I thought I'd come to Shanghai to do a little business. I would take some prescription drugs back home and sell some of them to others and give the rest to my father to treat his illness. I just left a few days ago," the drug peddler said with a mournful face.

What kind of a devilish circle situation is this. It seems to need a little diagramming and then maybe it will be clear at a glance.

Some patients who are given prescriptions by hospitals or clinics sell the leftover drugs to drug peddlers at a low price. Then, the drug peddlers use various means to sell the drugs at a high price to certain clinics or sick people, making a big profit in the process. This going from one medical unit to another medical unit, or from this patient to that patient is a kind of devilish circle for the medicine.

As we were standing on the sidewalk photographing all the various kinds of prescription drugs that the drug peddler had bought, passersby crowded around. Shanghai people have the habit of crowding around any activity. Seeing the devilish circle drugs before the video camera, people began to talk all at once about them. Holding the microphone, I took the opportunity to hold the following live workshop.

"Have you ever seen such a thing?"

"Of course. These drug peddlers frequently operate in the new villages in Pudong, where the residents sell to them," one skinny middle-aged man said.

"How do you all feel about such a situation?" Although I addressed my question to him, my eyes took in the other onlookers, and I purposely made the you plural.

"Certainly this is illegal. How can these drugs be bought and sold back and forth when they have to do with life and death? These people buy them from people in the hope of making some money; then they sell them to private individuals or public organizations. Both the residents who sell them and the peddlers who buy them are doing an unconscionable thing." The skinny fellow was a little indignant, so the surrounding atmosphere livened up.

"Most state-owned units won't buy them. The ones that buy them are mostly collective enterprises or units outside the city, because some collective enterprises are not making very good returns. In order to save on expenses, they may often buy prescription drugs from the drug peddlers since that is cheaper than through regular channels," a not very tall onlooker reasoned.

"If they approached me, I wouldn't necessarily sell to a drug peddler," interjected a fair-skinned, lanky, and beaming young man. "Some doctors write prescriptions without good reason. If you tell them you have a stomachache, they'll give you 39 Stomach Soother. Nowadays hospitals are concerned about making a profit too. The

more prescriptions they write, the higher their returns. Some patients ask for drugs. Lots of prescription drugs sit around the house without being taken, so when someone comes to the door offering to buy them, naturally, people sell to them."

"Doctors should also prescribe prescription drugs to fit the symptoms, being mindful of principles. Nowadays some doctors like to build relationships with people and be good guys." From outside the circle came the rather rapid-fire high-pitched female voice. Quickly, the microphone parted the crowd to get to the mouth of the speaker who was holding a bicycle and wearing a plain, sleeveless dress. "The residents should not allow themselves to get mixed up in such things. When they don't take the medicine, they should not sell it to others either. When they sell it to someone else, this actually amounts to hurting themselves. When prescription drugs are passed around through so many hands, some of them go out of date, and who knows but what they may finally come back to oneself? This is really harmful. The government should stamp out the prescription drug peddlers. It shouldn't let them go around everywhere buying up medicine."

She was a really quick-minded, quick-talking person who used three "shoulds" in a row. A public health worker happened to be in the crowd. This short-haired middle-aged woman seemed to have a somewhat introverted personality, and obviously she was moved by the statements of so many people. Finally, she was unable to restrain herself and pushed her way up to the correspondent and identified herself. But when she saw the intimidating video camera lens, she turned her head with fright. Unwilling to give up this opportunity, the correspondent encouraged her a little, after which this medical doctor in the clinic of a certain factory finally said very quickly: "Actually doctors have their own problems too. When a patient comes in for treatment, they have to prescribe some medicine. Most doctors control the prescription drugs they give. Whoever would think that patients might sell prescription drugs to prescription drug peddlers?"

"How many staff members and workers are there in your factory?"

"More than 300."

"How much do you spend on prescription drugs each year?"

"Tens of thousand yuan at least. The amount has gone up during the past two years, and good medicines are not to be had."

A devilish circle within a devilish circle. The patients blame the doctors and the doctors complain about the patients. Do the drug peddlers blame anyone? Of course they do. Maybe they blame the doctors and the patients for not giving them enough medicine. [passage omitted]

We hurried along the street and turned into a house along Jiaotong Road West where the street was black with people gathered round to watch the excitement.

The lights were bright. Holy smoke! Several crates of drugs, enough to open a small drugstore. Caught red-handed, the drug peddlers were frightened out of their wits. There were two bare-shouldered males, one of them who appeared to be only 17 or 18 years old, and the other no more than 30-odd.

"Where did these drugs come from" the policeman asked in a stern voice.

"Uh..." The young drug peddler moved back, so scared he could not speak.

"We collected them from the residents by going through the streets and alleys." The older drug peddler had no alternative but to come clean in the face of the evidence.

Box after box of medicine was moved into the small combination vehicle parked along the street. Soon the small vehicle was full, but news of booty collected on other streets continued to come in.

Within less than an hour, several truckloads of medicines were seized. We drove back to the Yichuan police station. A corner of the courtyard there was piled up like a small mountain. We examined this small mountain carefully, finding, to our astonishment, that there were whole boxes and cases among this superb collection of medicines. On one drawer-size cardboard box, the words "39 Stomach Soother" were printed impressively. "Were these drugs provided to patients by the hospital?" This common doubt evoked the common deduction that they definitely had not been. They had obviously come from elsewhere.

"This is really a headache. Some of the homes in the Jiaotong Road West slum area have become places for hiding contraband. The residents are interested in earning a little rent money, and since this place is not far from the new railroad passenger station, people from outside the city also want to rent a place here. This makes complex the problem of maintaining order." When the tall Yichuan police station chief and the intelligent and capable deputy station chief accepted our visit, they also revealed their anxieties and frustrations. "The problem is that it is only because of our responsibility to society and the people that we conduct such clean-up campaigns."

The magnetic tape in the video camera was turning, turning out yet another devilish circle. Existing public order control regulations provided no explicit and concrete regulations on punishments for harmful dealings involving the buying and peddling of prescription drugs. When the problem is passed to departments concerned, they are unwilling to accept and hear cases. Even when they reluctantly burn the seized pharmaceuticals, the drug peddlers steal back the drugs that are not destroyed.

The Yichuan police station leaders told us with heavy hearts that they did not know just who would handle these truckloads of pharmaceuticals that were piled up in the courtyard. They worried about what might happen to these unidentified medicines piled up here. Under what provisions of the law would these actions of the drug peddlers be dealt with? The last seizure really set off several cases that had to be dealt with in accordance with regulations for controlling public order. Several drug peddlers whose drugs had been seized vented their anger on some people from Zhejiang who rented places to live in the same Jiaotong Road West area and who exchanged plastic wares for food coupon money. They beat up the people from Zhejiang, looted their plastic wares, and were given administrative punishments. [passage omitted]

We never anticipated that our tracking down of "drug peddler guerrilla detachments" would uncover so many leads and threads of discourse with connotations going far beyond the reports themselves. The purpose and the implications of the reports happen to be in keeping with the unhealthy tendencies that Minister of Health Chen Minzhang recently emphasized as being in need of correction in the medical treatment industry and the spirit of deep reform. The reports also aroused the concern of deputy major Xie Lijuan [6200 7787 1227], and it stirred many people to direct attention to reform of the public-expense medical treatment system as well as improving regulations for the control of pharmaceuticals.

#### Intellectuals Viewed as 'Slaves' to Politics

91CM0072A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 156, Sep 90 pp 56-58

[Article by Liu Xiaobo (0491 2556 3134): "Contemporary Chinese Intellectuals and Politics, Part XIII"; Part XII was published in JPRS-CAR-90-82, 6 Nov 90 pp 36-39]

[Text] Since 1949, every political movement in China has involved the intelligentsia. Movements intended to rectify the intelligentsia, in particular, were used by people in power to attack intellectuals with intellectuals. Chinese rulers are like slave owners; Chinese intellectuals, like slaves

(Continued from issue No 155)

That I pointed out critically the several phenomena above does not mean that I repudiate the open policy of the May 4th era and the one in recent years. On the contrary, I believe China's door was not opened wide enough. This combines with the string of "antiliberalization" movements to make China look like a coward that pops its head out to take stealthy glances at the world now and then. This "holding-the-fan-to-hide-half-of-one's-face" style of openness will not help us truly understand the world. My intent is to admonish China's intelligentsia to be a little less materialistic in our acceptance of Western culture and a little more

philosophical. Instead of skimming over the surface, we should study Western culture steadily and thoroughly. Only the openness of Western culture will give Chinese intellectuals a clear mirror for self-reflection, self-criticism, and self-reconstruction. Only it will make the Chinese culture open up to the world. In the open modern world, where China is so backward, it would be difficult for us to discover our own weaknesses if there were no advanced culture with which to make comparisons. Accordingly, ignorance of Western culture amounts to ignorance of Chinese culture and a superficial utilitarian understanding of Western culture amounts to a superficial understanding of Chinese culture. If Chinese intellectuals remain uninformed about Western culture and continue to think of it as an embellishment, like jeans, then even if we study exhaustively every ancient Chinese classic, we will not be able to examine ourselves in any new and profound way that really hits home. China's current state of backwardness cannot be altered in one morning. Nor can the advanced culture of the West produce instant results in China. It will take a long, painful, and even brutal metamorphosis. However, this absolutely does not mean that the open policy will not work in China. When a backward culture is not reformed by an advanced culture, if it is not placed side by side with an advanced culture, it will be bogged down in backwardness forever. After we had the opportunity to open up to the world, however, we kept looking at the world with a utilitarian eye: we were interested only in their refrigerators.

Finally, I would like to discuss the distinctions between the utilitarian personality (pragmatic personality) of Chinese intellectuals and the empirical rationality, utilitarianism, and modern pragmatism of the West. It is a popular viewpoint among Chinese intellectuals in modern times to sum up the characteristics of Chinese culture as "pragmatic rationality." However, there is a world of difference between China's "pragmatic rationality" and the pragmatic spirit of the West. These are these major distinctions:

1. Western philosophy gave birth to a powerful ideology in modern times—the spirit of empiricism. Yet the spirit of empiricism was essentially a philosophical theory of knowledge and the spirit of science. Its cornerstone was the rapid development of modern physics. Empiricism evolved from modern empiricism and modern positivist philosophy. At its heart is respect for experience and facts and a skepticism of *a priori* generally acknowledged truths and rational authority. Experience and facts are the criteria for testing truth. These criteria transcend not only any ideological or theological authority, but also narrow political interests and moral parameters. Their only concern is whether or not something is true, not political interests or ethics. When religious prohibitions and the wishes of an authority violate the truth, or when political power, moral premises, and social knowledge clash with the truth, the empirical spirit recognizes only the truth. In contrast, Chinese pragmatic rationality is most reluctant to face reality and the truth, most afraid

of doubting an authority. It would rather obey the orders of a monarch, than yield to truth, follow the teachings of the sages than trust self-judgment, and believe ancient texts rather than facts. In real life, pragmatic rationality is propped up by political power and moral examples and subordinates itself to them. In academic matters, Chinese intellectuals seldom face up to experience and fact and shy away from putting forward hypotheses and verifying them against experience. Whenever they have doubts, they search among the dogmas for an answer. They engage in textual research instead of conducting scientific experiments. Teachings of the deceased have come to replace theoretical hypotheses. From scholars of Confucian classics of the Han dynasty onward, Chinese intellectuals have been playing the game of literary textual research for thousands of years. Tons of notes, annotations, and explanations have become the orthodoxy in Chinese academic research. Even Hu Shi [5170 6624], profoundly influenced as he was by the pragmatism of John Dewey, confused the fundamental differences between the pragmatic spirit of the West and China's tradition of textual research. Literary textual research is but one of the tools of scholarship. It can only verify, not discover. Discoveries are derived from experiential observations, theoretical hypothesizing and experimentation, or they may be sparked off by inspiration. Even as a means of verification in scholarship, textual research is hardly the most important. A theory in a book becomes a truth only after it is verified through experiments. Yet the Chinese take the written word and literary textual research most seriously. One fundamental reason is that the texts and words were penned by so-called authorities. In literary textual research, the psychological premise was that the authority was always right, all posterity had to do was to dispel the misinterpretations of an authority through textual research. Seldom did Chinese intellectuals ask this question: If the authorities were wrong from the start, or if they too became antiquated relics along with history, then would not all textual research be a total waste? Thus China's textual research appraises relics from the past while Western experimentation explores the unknown. The former seeks to protect the past; the latter, to open up the future. The former annotates, the latter, innovates.

For humankind, that "the sum of the interior angles of a triangle equals 180 degrees" is a truth. But if we spend all our time confirming this truth after we have discovered it, no longer would we be seeking truth. In science, the truth is not limited to facts already known. Even more important is the search, inspirational and groundbreaking, for the unknown. We may go so far as to say that when a truth that is already known no longer inspires, it is a dead truth. In this sense, what is known is not truth. If a real scientist is given a choice between exploring the truth that is known and exploring what is unknown, he would rather explore what is wrong but unknown than explore the truth that is known. The best truth is not the truth that is known, but the theoretical hypothesis that is speculative, critical, and inspirational. "All men are men." The truthfulness of this assertion is

no more valuable than the falsehood of the assertion "all men are wolves." The reason is this. The former repeats what is already known; you might as well not say it. The latter, on the other hand, rejects what is already known. It means something even though it is wrong. Every mediocre person is content with what is already known, while every genius devotes himself to exploring the world of the unknown. The mistake of a genius, therefore, is more profound than the correctness of a mediocre person because it is deeply exploratory and inspirational. The Chinese intellectual's tradition of textual research is precisely the method of scholarship of the mediocre. Unfortunately, from annotating Confucius to annotating Marx and Lenin, China's intelligentsia considers the mediocre the master, his academic method the best method of scholarship.

2. In ethics, the empirical spirit of Western culture manifests itself as a utilitarian morality. This morality first appeared in ancient Greek philosophy, was stifled by medieval theology, and was revived and furthered in the modern humanist movement that began in the Renaissance. More than anything else, it is characterized by a strong individualism. Its paramount value is personal welfare and personal rights. Personal welfare and personal rights are higher than political interests and the moral parameters of society. The purpose of public laws and rules (whether political or moral) is to contribute to the realization of personal well-being and individual rights. It is precisely this kind of morality that provided the personality base for the democratic system of the West in modern times. In economics, private property rights are paramount. In ethics, the choice of values is individual. In thinking, speech, and religion, freedom of thought, freedom of speech, and freedom of belief are all the individual's. In interpersonal relations, freedom of competition is also based on personal ability. An individual belongs entirely to himself provided his actions do not violate the law or infringe upon others' rights and interests. This is freedom. The individualist ethic of modern times has developed into a philosophy of life in which the individual is paramount in a purely life sense. No longer does it stress the worldly interests of the individual, be they political or economic. Instead, it emphasizes that, faced with an absurd world and illusory existence, each person should live a life that is unique and unrepealable, a life that makes one's transient existence a unique existence in the long sweep of history, unprecedented and unmatched. The meaning of life, therefore, lies in resisting a uniform social mold.

In contrast, China's "pragmatic theory" has always stressed the supremacy of social political power and moral values above individual interests. The position of the individual as well as his value are defined. The interests of social groups (state, nation, government) are placed above those of the individual. Economically, the properties of royalty were supreme in ancient China. "Everything under the sun is but the land of the monarch." As for modern China, it practices state ownership under which the properties of the group take precedence

over those of the individual. Politically, ancient China was a monarchical dictatorship. The value of the individual was fulfilled as loyalty to the emperor. In modern China, the ruling party holds supreme power and everything is determined by the party. In ethics, the moral standards in ancient China were filial piety to one's parents, love and respect for one's brothers, faithfulness to one's husband, and trust in one's friends. Their counterparts in modern China are the communist creed, which teaches "sacrificing oneself for others and serving the people," and a passionate loyalty to the party and the fatherland. Never since ancient times has there been personal freedom. All speech and all beliefs must follow officially set standards. These utilitarian principles, which violate human nature, have resulted in a split personality among the Chinese. Openly and in the public eye, everybody says he is loyal to the party, the nation, the people, and social interests. Privately, in his heart of hearts, however, he wracks his brain to find a way to further his own well-being and scramble for privileges. In China, "selflessness" and the ethic of "putting public interests before personal ones," advocated for thousands of years, is still an empty word. People in power further personal interests by abusing their power. The man in the street does likewise by abusing his office, as does the entire nation by going through the back door. When personal interests are not obtainable through open, legal channels in society, efforts to promote private interests secretly become inevitable, which, in turn, necessarily breeds corruption and chaos in society. All laws may be amended or abolished through under-the-table deals. The split personality can be seen also in the penchant of intellectuals to complain privately. In China, intellectuals cannot openly express their dissatisfaction with the people in power and the status quo through regular channels and can give vent to it only secretly. In private conversations, they denounce Chinese autocracy in a chorus of complaints. On public occasions, however, they either sing its praises, contrary to their convictions, or remain silent. Silence has become the common tool with which modern Chinese intellectuals resist evil. Yet, when intellectuals refrain from appealing to open social opinion and confine themselves to grumbling in private, they cannot do a thing to weaken evil forces even if they are seething with discontent. Intellectuals will never have genuine freedom of speech. In other words, if freedom of thought is not realized openly in freedom of speech but is only imagined, freedom of thought will not be able to promote social rationalization and progress. When there is no chance of realizing a potential possibility, then there is nothing. Only through open freedom of speech can freedom of thought be realized. The brutality of autocratic rule is no excuse for intellectuals to give up on freedom of speech. How you express something is how you think about something. Giving up open expression amounts to giving up freedom of thought in society.

The politicized personality of the Chinese intellectual leads inevitably to a utilitarian personality. The two feed on each other. Only by shaking off the political shackles

can we gradually develop an intellectual personality and pure theoretical thinking that transcends material gains. The creation of an intellectual personality that rises above material gains is one of the conditions that Chinese intellectuals must meet to become an independent social force. When an intellectual transcends material gains, it represents more than a value system and attitude of life for the individual concerned, but is also a mode of conduct, a social climate, and an institutionally protected social right. If society does not recognize the independent value of knowledge, if society demands that intellectuals exercise their brains only for "food, clothing, shelter, and transportation" plus for political interests, intellectuals will not be truly independent even if they have the most solid value system that transcends material gains.

#### **8. An Intelligentsia Whose Members Undercut and Attack Each Other**

The relationship between modern Chinese intellectuals and politics is not only the relationship between men of letters and people in power. It is also the relationship among men of letters themselves. The former is a relationship between masters and slaves; the latter, a relationship of mutual strife. In China, intellectuals attacking intellectuals is a common phenomenon. In political campaigns, in daily life, and at work, never does a moment go by without intellectuals undercutting and attacking one another in big ways and small. Since 1949, every political campaign has involved the intelligentsia. In political campaigns aimed at rectifying the intelligentsia, in particular, people in power used intellectuals to attack intellectuals. At the end of every campaign, people who were deemed to have rendered meritorious services joined the bureaucratic circles and were rewarded with multiple promotions. Those who failed were jailed or exiled. The dictator expends power; the intellectual expends brains. When the two coordinate in tacit agreement, they are omnipotent. Modern Chinese society resembles the wrestling ring of ancient Rome. On the stand were the spectators: slave owners and their wives. They bought large numbers of slaves with power and money, put them through rigorous training, and then sent them to the wrestling ring to fight it out as the masters watched, wild with joy and clapping their hands with satisfaction. The more brutal and savage the wrestling, the more delighted the slave owners were. To please their masters and show off their physical prowess and intelligence, the slaves went all-out to kill their opponents. Since they got their food and money from their masters, the slaves naturally did their level best to kill their opponents. As soon as their masters gave the order, they began slaying one another. Chinese rulers are like slave owners: Chinese intellectuals, slaves. There are two differences between the situation now and slave wrestling in ancient Rome. First, the form of the struggle now is more civilized. Second, nowadays people take part in the wrestling voluntarily, but slaves in ancient Rome were forced to do so. These differences notwithstanding, the nature of man slaughtering man is the same.

Chinese society is in a state of disunity mainly because of the endless mutual slaughter from top to bottom. In politics, the very nature of autocracy determines that scrambles for power and profit, big and small, go on at all times within the regime. In the intelligentsia, the political inclinations of intellectuals also determine that they try to do one another in so as to curry favor with people in power. If the so-called cream of society behaves this way, how can we demand that the masses at lower strata unite with one mind? A society that lacks cohesiveness and a centripetal force is inevitably one where political struggles permeate every sphere of life. And a society characterized by political struggles for power and profit is also an autocratic society. In an autocratic society, struggles for power and profit are synonymous with politics. For this reason, we absolutely cannot attribute widespread infighting within the intelligentsia and in society at large to the selfishness, jealousy, and materialism of human nature. If we limit our search for reasons to human nature, we will miss the corrupting nature of China's autocratic system. In my opinion, the phenomenon of man attacking man is caused mainly by the proliferation of autocratic politics throughout society. Such proliferation necessarily introduces the corrupt ways of autocratic politics into every sector of society, including the intelligentsia. On the one hand, the principles, methods, and tricks of power struggle in officialdom are widely used in all trades, all professions. Everybody resorts to political ploys to exclude those who hold different views and to further his own interests. In the process, the rules of the game of political struggle become the rules for the entire society. On the other hand, the omnipresence of bureaucratic politics has made political values supreme. Everybody, from peasants, workers, and soldiers to entrepreneurs and intellectuals, considers political success the highest purpose in life and the use of political tricks to attack others the most legitimate, proper, and effective method, thereby giving the entire society a politicized personality. Strictly speaking, there are neither independent entrepreneurs and merchants nor an independent intelligentsia in society today. So-called factory directors, managers, and board chairmen are bureaucrats themselves, appointed by bureaucrats, or are closely related by blood to bureaucrats. In short, all entrepreneurs are, in fact, part of the bureaucratic circles. Most of the nation's well-known scholars occupy one political capacity or another. It is hard to come across an intellectual who is simply a professor or researcher. Once you become famous, you either join the bureaucracy on your own or are granted an official rank by people in power. Organizations like the Writers Association, Science Association, and Writers Union are all bureaucratic organizations, not academic institutions. Steeped in the ancient intellectual-cum-bureaucrat tradition that holds that "a good scholar will make an official," the Chinese intellectual is a deep-seated politicized personality.

(To be continued.)

**Arbitrary Assessments Against Schools Decried**

91CM0121A Beijing ZHONGGUO GAODENG JIAOYU [HIGHER EDUCATION IN CHINA] in Chinese No 108, 13 Nov 90 p 35

[Article by Chai Jibei (2693 3444 0554): "Resolutely Halt the Levying of Arbitrary Assessments and Fee Collections Against Schools"]

[Text] Surveys show an increasing number of assessments and fee collections of various kinds in society during the past several years that have profoundly hurt all types of schools. In one institution of higher learning with 10,000 professors and students, the collection of such arbitrary assessments and fees amounted to several tens of thousands or nearly 100,000 yuan each year. Rough statistics from a certain university show payment of more than 1.2 million yuan in various fees, not counting exactions of manpower and material resources. Many schools that can no longer bear the burden are complaining bitterly. Financial, capital construction, and general affairs persons in charge in institutions of higher learning report that the "erosion" of funds causes deep resentment and are intolerable. Not much remains from educational funds after deducting costs and living expenses for each person. When society puts out its hand to collect so many fees, how are schools to keep on operating? How can the quality of education be improved?

Society's arbitrary assessments and collections of fees from institutions of higher education are manifested in the following main ways:

First, fees and assessments are made under various wide-ranging guises. Various units and departments use one pretext or another to draw up regulations without authorization and establish various reasons for arbitrarily assessing and collecting various fees from institutions of higher learning. They put out their hands to demand money and materials. Survey statistics from some provincial and municipal institutions of higher learning show more than 890 different collections from various trades and departments. Thirty-four fees were collected for a capital construction project for multiple "favors" from the collectors of the fees. For housing projects for ordinary professors, staff members, and workers, fees amounting to approximately one-third the total investment were collected. When a certain provincial teacher's college built 8,300 square meters of housing, it had to pay more than 630,000 yuan in fees of one kind or another, amounting to 36.58 percent of the total investment. A fee has to be paid for every public seal affixed. No money, no approval seal. If such is the situation for institutions under provincial protection, one can imagine what the situation is for institutions under departments or commissions.

Second, everyone acts according to his own interests, inflexibly imposing exactions. Water, electric power, and coal are the lifelines of school instruction and scientific research, so some professions take aim at this vital part

of schools, collecting high fees from institutions of higher learning. The state prescribes a hookup rate for electricity of 140 yuan per kilowatt hour, but some locales collect 500 yuan per kWh. They also increase several times over the bulk rate for water. A certain city paid to the state 100 percent of the fees that the central government had ordered halted. What people find unthinkable is that some administrative organizations and public agencies convert matters that are within the purview of their professional work into objects for the collection of fees. A certain provincial university had to pay an 8,000 yuan "handling fee" for a refuse disposal permit, and a mess hall had to pay 160 yuan for a hygiene certificate. In addition, there are some rigid temporary assessments that are intolerable for schools. Before one holiday, a certain school was required to make a gift of 20,000 pots of flowers. If they did not give the flowers, they had to pay money instead. A construction company wanted a school to share expenses for its construction workers' personal injury insurance. A certain medical school had to pay between 5,000 and 6,000 yuan annually in "subscriptions" to small newspapers published by public security, fire protection, and banking units. No matter whether premises are sanitary or not, and no matter whether a chimney belches smoke or not, without any scientific testing, a fine of several thousand or several tens of thousand yuan can be levied on someone's say-so. Sometimes a school is notified only after a fine has been taken directly from its bank account, leaving the school utterly mystified.

Third, there is the astounding amount and duplication of collections. Not only did one city demarcate development zones, it also divided up the city into various sections such as A, B, C, and D, with different prices applying to each district. When the state authorized a 1,000-square-meter housing project for a certain school in 1988, the school was required to pay 500,000 yuan in fees because the campus was divided into development zones, but the total investment for the project was only 350,000 yuan. Faced with such a development expense, the school could only contemplate the housing project with a sigh. Anywhere from several tens of thousand to several hundred thousand yuan in fees are required for water, electricity, and gas hookups. One school had to pay 768,000 yuan for a hookup when it enlarged its water conduit from 4 to 10 inches. The amounts are so large as to leave people breathless. Since many government departments are involved, naturally, overlapping is virtually unavoidable. Not only do schools have to pay large sums to cities in capital construction and basic facilities fees, but they also have to pay water resources development fees, gas development fees, heating pipe network fees, business network outlet fees, etc., etc., ad infinitum.

Fourth, there is mutual competition in making collections. An overwhelming majority of the assessments and fees levied on schools are written on "official stationery," but most of this "official stationery" has been prepared by the fee-collecting units themselves. Cities and districts vie with each other. If city A charges a gas

fee of 800 yuan per customer, then city B wants 1,600 yuan per household. If the city A business network outlet point fee is 6 yuan per square meter, then city B will want 28 yuan per square meter. If one city requires 16 official seals to approve a housing project, another city will require 30-odd before a construction permit can be obtained. The craze for arbitrary assessments has become worse and worse since fees may be deducted when prizes are issued, for welfare, and for the construction of public buildings.

The writer feels that the unlimited collection of fees from institutions of higher education is unfair. First of all, institutions of higher learning are bases for the training of skilled people for the country. Teaching, scientific research, and the livelihood of professors and students in these schools are entirely dependent on funds that the state allocates. Schools differ fundamentally from businesses and enterprises that make a profit and pay taxes. When the state issues operating expenses and capital construction funds, it does not and cannot consider the use of appropriations for dedicated purposes to pay various fees. Therefore, the various fees collected from institutions of higher education are, without doubt, extortions of educational fees allocated from national financial revenues, which are bound to hurt the development of higher education endeavors. Second, the

living areas of most of the institutions of higher education in the country are self-contained systems that are relatively independent. The school itself is basically responsible for urban construction and equipping, and for service facilities such as business network outlet points. Third, the size of institutions of higher education has developed very rapidly in recent years, but most of the standards for supplying water, electric power, and coal were set on the basis of quantities used in 1984. Supply is a long way from meeting the schools' present needs, and is only half the need at some schools. Consequently, schools have to augment their supplies at negotiated prices, which means that schools already bear a fairly heavy burden. When these "assessments" are added on, they become the straw that breaks the camel's back.

Both the CPC Central Committee and the State Council have issued repeated injunctions calling for the rectification of these unhealthy tendencies to put a halt to the assessments and fees. Some provinces and cities have solved quite a few real problems for institutions of higher education, yet the foregoing problems still exist to a serious degree in quite a few places. For the sake of the four modernizations, the future of the nation, and for the rectification of professional ethics, a resolute halt must be called to the levying of arbitrary assessments and fees against schools!

**Helicopter Submarine Attack Exercise Described**

91CM0129C Beijing JIEFANGJUN BAO in Chinese  
27 Nov 90 p 1

[Article by Zhang Mingcheng (1728 2494 2052) and Xia Hongqing (1115 3163 7230); "Hunting Submarines With 'Flying Eagles'"]

[Text] Two bluish-gray armed helicopters are at rest on the apron, a torpedo suspended from the left and right of their fuselages. The ground crew is urgently conducting a preflight check.

The commander, the deputy regimental commander of a certain naval air independent regiment, Yu Zhigang [0060 1807 0474], is assigning the mission to the crews: "An 'enemy' submarine has intruded into our ocean area to carry out harassment. Higher authority has commanded us to attack and sink it at once."

"Visibility at sea is 6 kilometers, and a force 4-6 south wind is blowing." After the meteorologist reports the weather, the writer boards a craft along with the crew. The time is 1232 hours on 27 October.

We enter the line of flight, and three operators wearing earphones begin expert antisubmarine preparations. On the round fluorescent screen of the central control console, an orange scanner revolves. Various indicator lights, signal lights, and counters flash incessantly in a mysterious and tense atmosphere.

After 32 minutes of flight, the helicopters enter the search area. They reduce altitude and hover 21 meters above the sea. Then, over the earphones comes the voice of the chief pilot: "Let down the boom sonar to search." "Roger." The boom sonar controller starts the cable and the cylindrical sonar search head slowly leaves the belly of the helicopter and enters the sea.

After a 13-minute hovering search without finding the target, the boom sonar is retracted, and the helicopter enters the second detection point to hover and let down the sonar. After 11 minutes, it still has not discovered the "enemy" submarine. On the third hovering search, the operator suddenly discovers a suspicious blip. After analysis and measurements, the tactical controller reports excitedly: "Target found. Position xx; depth xx; range xx; speed xx." The chief pilot commands: "Lock on to the target; prepare to attack."

The tactical controller constantly reports the submarine's movement parameters. The buoy sonar controller quickly marks the submarine's track on a plotting board with a red and blue pencil. At 1348 hours, the chief pilot commands: "Ready. 1, 2, 3, fire!" The tactical controller firmly throws the torpedo release switch, and the torpedo whistles forth. As it enters the water, it throws up a huge spray and heads for the bottom of the sea. At the same time, the buoy controller ejects two smoke trail markers and three depth charges into the sea, and the sound of a muffled explosion rumbles up from the bottom. Hit! The three controllers excitedly pull aside the glare shield and

look down at the sea through the port. On the surface of the azure sea, two smoke trail markers bob, their red tips issuing white smoke. Not far away, the wing aircraft is also entering the attack site. The two helicopters' rotors prescribe a brisk arc to make the return flight.

**Antichemical Warfare Corps Practices Defense Skills**

91CM0130D Beijing JIEFANGJUN BAO in Chinese 20 Nov 90 p 2

[Article by Jing Houyin (2529 0683 1377) and Li Jian (2621 0256); "A Quick Look at the Antichemical Warfare Corps"]

[Text] On 8 November, the first day of the lunar winter, a light drizzle fell from the Beijing sky. This was the day chosen for contests of skill among the antichemical warfare troops of the General Staff.

This reporter witnessed a type of training, known as "hit the spot, hit the line," unique to the antichemical warfare troops. Four water trucks were lined up side by side with a sterilization specialist attired in a rubber suit standing in the rear. Two meters from each man was a practice target for "hitting points and lines." Xie Zhaoyong [6200 3564 0516], a new soldier who had joined the military just a half year earlier, won first place in the "hit the spot, hit the line" contest. This reporter observed as he stood two meters from the sterilization practice target, gripped the water cannon beneath his armpit, and then concentrated on directing the torrent of water at the center of a small metal plate. After performing this feat, Xie Zhaoyong quickly jumped away from his original spot and sprayed water along a prescribed path. He worked with the precision of a draftsman, hitting every spot and line with extreme accuracy.

Each "Liberation" truck served as a shower room, with a water heater behind the cab and 16 shower heads in the rear. This reporter walked straight to the place where fire stoker Wang Zhihui [3076 1807 6540] was competing. This old soldier had his sleeves rolled up and was preparing to light the fire and build up water pressure. At the command to begin the competition, he began jumping and hopping about, stuffing wood shavings, kindling, and newspapers into the stove. When the smoke began to rise into the air, he scrambled atop the truck and added an extension to the smokestack to make it higher, then began to add water into the boiler. This task consisted of pumping one-third of the one-ton water bag next to him into the boiler. Pumping water was like lifting weights, and he grew more fatigued as he pumped. After the boiler was pumped full of water, he then shoveled in coal and pumped the bellows. Pumping the bellows was extremely heavy work, like crank-starting an automobile engine. This reporter shivered in the cold wind, but beads of sweat rolled down the soldier's face. This reporter was just beginning to cheer in admiration of Wang Zhihui's speed and agility when, from behind,

someone shouted, "Finished!" and a round of applause broke out. Another contestant had already brought his boiler to 3.5 times atmospheric pressure, and it began to hiss as steam poured out. First place had already been captured. Three minutes later, Wang Zhihui also ran to the front of his truck and called out, "Finished!" He had to settle for second place. This reporter was very moved, however, and approached Wang and said, "You're still a winner!"

### Air Force Tests SAM Automated Command System

91CM0130C Beijing JIEFANGJUN BAO in Chinese  
17 Nov 90 p 1

[Article by Zhuang Congsheng (8369 5115 3932): "Air Force Surface-to-Air Automated Command System Live Training Courses"]

[Text] It is the morning of 13 November. The location is an Air Force target range near the Gulf of Bohai. A pea-soup fog blankets the earth and sky, which blend into a single mass of gray. Suddenly, a thunderous roar shakes the earth and a fire-belching dragon rips apart the mists as it streaks toward its target in the sky. Ten or 20 seconds later, an "enemy aircraft" is hit by the missile and explodes. The live test-firing of the Air Force's surface-to-air missile [SAM] automated command system has been successfully carried out.

In the command module of the automated command system, this writer was excited to discover a panel of screens displaying data needed for SAM operations against 10 groups of aerial targets, including friend-foe identification, altitude, distance, bearing, speed, and level of threat. You could take in the information in a glance.

... happened in the blink of an eye. The computer repeatedly warned the commander that the "enemy aircraft" in group 01 presented the biggest threat, and that they should be destroyed first. The commander made an immediate decision based on the various firing parameters displayed by the computer; he ordered "unit X to launch a missile against a target from group 01." At a battle position dozens of kilometers away, the SAM pointed into the sky in the direction of its target, seeming to snarl at the "enemy aircraft" in response to the movement of the guidance radar. When the target approached the optimum firing area, the operator pushed the launch button and the missile shrieked into the sky...

The commander launched three missiles at "enemy aircraft" according to the launch instructions issued by the automated command system, achieving good results each time.

The Air Force and the state government cooperated closely in the design and manufacture of this system, and they made extensive use of advanced technology, such as radar and computers. The system combines intelligence,

command, control, and communications into a single system, and it can perform the same function as SAM brigades and regiments.

### Nuclear, Chemical Hazards From Conventional Warfare

91CM0129A Beijing JIEFANGJUN BAO in Chinese  
23 Nov 90 p 3

[Article by Hua Jie (5478 2212): "Vigilance Against the Nuclear and Chemical Threat That Conventional Weapons Pose"]

[Text] When the nuclear and chemical threat comes up in conversation, people naturally think about nuclear and chemical weapons while frequently neglecting the nuclear and chemical dangers that conventional weapons pose.

Actually, the nuclear and chemical threat of conventional weapons appeared long ago in the warfare arena. In June 1981, Israel sent 24 aircraft on a lightning attack to destroy Iraq's nuclear reactor. During the Iran-Iraq war, both sides targeted attacks on the other side's petrochemical facilities. Not only did these attacks cause huge economic losses, they also caused widespread pollution and damage.

The nuclear and chemical threat in future wars will also come from the destruction caused by attacks on nuclear and chemical industry facilities as well as from nuclear and chemical pollution and casualties. Both practice and the trend of development in warfare suggest that attacks on the opponent's strategic targets will be a major means of killing two birds with one stone. Such indirect nuclear and chemical threats can gain the results obtained from the use of nuclear and chemical weapons, major returns gained at a small price. It can avoid the danger of an escalation of the war that might be caused by direct use of nuclear and chemical weapons, and it can avoid the condemnation of world opinion that the use of nuclear and chemical weapons would entail. Diplomatically, it would not lead to being mired in a passive situation.

Generally speaking, a comparison of the threat from an indirect and a direct nuclear and chemical threat shows four features as follows: First is the strong element of surprise. The marked increase in the ability of high-technology conventional weapons to penetrate defenses poses new challenges for the defense of important targets. During March and April 1986, the United States twice succeeded in destroying the air defense network in Libya, the air attack on the capital at Tripoli being one specific example. In addition, special forces or special operations personnel may be sent to carry out demolitions depending on circumstances. Second is great damage and long duration. With steady advances in economic construction, nuclear and chemical industries will be increasingly applied to the areas of military, energy, and daily life. At the same time, because of the high strike accuracy and destructiveness of high-technology conventional weapons, once war breaks out,

nuclear and chemical industrial facilities may be attacked simultaneously at different sites or at many different times, creating widespread and long-lasting nuclear and chemical contamination. Although this occurred during peacetime, the nuclear leakage from the Chernobyl nuclear power station in the USSR and the poison gas leak from the chemical industry plant at Bhopal in India caused tremendous losses and long-term damage for both countries. Thus, one can imagine that the losses and damage created during wartime would be much more severe. Third is the serious effects of combat operations on military forces. The "center of attention" of extremely dispersed leadership organizations will require the transfer of substantial military forces for nuclear and chemical rescue. After the nuclear accident at the Chernobyl nuclear power station, the USSR immediately dispatched 10 divisions for nuclear and chemical rescue work. Such a dispersal of forces may be even greater as a result of the increased degree, amount, scale and duration of damage to nuclear and chemical industry facilities, thereby weakening combat strength. In addition, one will be faced with enemy offensive operations in a follow-up to its surprise attack on nuclear and chemical industry facilities. Fourth is the substantial psychological shock and social effects created. Extremely great psychological and social effects followed in the wake of the Chernobyl nuclear power station accident in the USSR, and following the toxic gas leak accident at the Bhopal chemical industry plant in India, 800,000 residents of the city were thrown into turmoil. During wartime, these effects might be more severe because of various factors such as worry about the enemy, and be both far-reaching and protracted. This should be a matter of serious concern.

#### **Beijing MR Builds Pilot Radar Support Center**

91CM0130E Beijing JIET JINGJUN BAO in Chinese  
22 Nov 90 p 1

[Article by Li Jianbin (2621 1696 2430) and Zhang Kunping (1728 0981 1627): "Beijing MR Builds Radar Support Center on Test Basis"]

[Text] The Beijing Military Region has built, on an experimental basis, a "radar equipment and technology support center" in order to organize the isolated technical personnel in scattered artillery brigades and regiments into a "mutual help team," thereby resolving technical support problems that were difficult to resolve by relying simply on the resources of individual brigades and regiments. In the first part of November, the headquarters extended this practice throughout the entire military.

#### **2d Artillery Completes Power Generating Station**

91CM0130F Beijing JIET JINGJUN BAO in Chinese  
22 Nov 90 p 1

[Article by Jin Guoyou (6855 0948 0645): "Largest Power Generating Station in Military Completed by 2d Artillery"]

[Text] A modern power plant whose main building covers 3,708 square meters was recently completed put into service by the 2d Artillery.

#### **First Satellite Tracking, Monitoring Station Opens**

91CM0129D Beijing JIET JINGJUN BAO in Chinese  
27 Nov 90 p 1

[Article by Sun Shibo (1327 0013 2672): "China Builds International Maritime Satellite Monitoring Station"]

[Text] Beijing 26 November—China's first satellite monitoring station to serve the International Maritime Satellite Organization has been built in Beijing. Its first satellite tracking and monitoring data prove accurate and reliable.

The Beijing international maritime satellite monitoring station is a project for the monitoring of satellites for the International Maritime Satellite Organization for which the Chinese Satellite Launch Monitoring System successfully submitted a tender in 1988. Following the successful launch of the International Maritime Satellite Organization's first second-generation maritime communications satellite on 31 October 1990, seven monitoring stations in six different countries began satellite tracking and monitoring. The Beijing monitoring station quickly and accurately locked on to the target, providing consistent tracking reports of very high quality. The International Maritime Satellite Organization highly praised the Beijing monitoring station for its outstanding completion of tasks. The construction and coming on stream of the Beijing monitoring station marks China's first international marketing of spaceflight monitoring techniques. According to the first contract, China will provide uninterrupted monitoring services to the International Maritime Satellite Organization over the next five years.

#### **Shanghai-Built Escort Vessel for Thailand Launched**

91W3012074490 Shanghai City Service in Mandarin  
2300 GMT 28 Dec 90

[By station correspondent Zhang Dacheng, from the "Morning News" program]

[Text] Independently designed and built for Thailand by the Hudong Shipyard, a sophisticated guided-missile escort vessel of modern standard was launched at the Hudong Shipyard on the morning of 28 December according to traditional Thai customs. This sophisticated escort vessel is equipped with modern electronic equipment, including guided missiles, automatic guns electronically controlled antishubmarine rockets, and a command system. Its engine room is unmanned and features remote control monitoring facilities. The outer part is built in a fully sealed compact style. With its special features for both offensive and defensive purposes, it is versatile in performing various military

functions, including sea escort, protecting fishing boats, guard duty, landing support, and carrying out combat operations against land forces in offshore areas and more distant waters.

An 11-member Thai Navy delegation, led by Admiral Somphong Kamongnam, deputy commander of the Thai Navy, attended the launching ceremony in the company of (Mang Fei), president of the Shanghai Shipbuilding Corporation.

### PLA Sets Up New TV Receiving Station in Tibet

OW2312025990 Beijing Television Service in Mandarin  
1100 GMT 21 Dec 90

[From the "National News Hookup" program]

[Text] [Video begins with shots of a number of people climbing uphill; camera switches to show a helicopter flying overhead and a medium-sized TV antenna being installed] A unit of the People's Liberation Army [PLA], which has been staying in Medog County for many years, can now watch all programs of the Central Television Station on the same day they are broadcast. Medog County is the only county in our country inaccessible by car. The county is located in a narrow mountain valley in eastern Tibet. Heavy snow seals the mountain passes for eight or nine months every year. All supplies have to be carried to the county by people with knapsacks through a mountain path, which is more than 200 li in length, during summer time.

The place always has been called an isolated mountainous island covered by snow. In early December, the Army Aviation Unit of the Chengdu Military Region dispatched outstanding pilots to fly over the Duoxiongla Valley, where the weather is rather changeable, and to carry ground receiving equipment for small television sets to various frontier outposts. Comrades of a cultural station of the PLA unit overcame difficulties to climb up the mountain and completed the installation work for the ground receiving system. They have thus ended a 28 year history of inability to watch television since the PLA unit entered the Medog area.

### Importance of Military Morale Underlined

91CM0129B Beijing JIEFANGJUN BAO in Chinese  
23 Nov 90 p 3

[Article by Chen Guirong (7115 6311 2837); "Need for Morale in Leading Troops"]

[Text] People must have ambition, and military units must have morale. For those who lead troops, the greatest thing to be avoided at all costs is lack of morale in military units. Since ancient times, outstanding military personalities have all regarded morale as the life of military forces, seeing it as a major factor in success or failure in warfare. The tenacity of Sun Zi's *Art of War*,

the determination of Wu Zi's *Art of War*, and the persistence of Sun Bing's *Art of War* all bespeak the importance of depriving the enemy of morale and building up one's own morale. Some foreign military experts also believe that "three-fourths of a military force's effectiveness comes from morale," and that "80 percent of a commander's job is to build up morale."

What is morale? The famous U.S. General George C. Marshall described it this way: "Morale is a state of mind. It is staunchness, courage, and hope. It is confidence, enthusiasm, and loyalty. It is drive, a united spirit, and confidence. It is willpower and spirit carried to the ultimate—the will to win. With it, everything is possible, without it, all plans, preparations, production, everything, and anything amount to nothing." The ancients said: "It is morale that enables soldiers to win." A survey of the history of ancient and modern warfare shows that morale directly affects victory or defeat in warfare. In 684 B.C., the armies of Qi and Lu battled at Changshao. The Qi army was completely exhausted after three salutes, and totally demoralized. Meanwhile, the Lu army pressed on without letup, its morale greatly buoyed. Lu's defeat and Qi's victory [sic] was due to "morale."

During China's long history of the revolutionary war, the reason that our armies were able to grow and become strong, and the reason inferior equipment was able to defeat superior equipment lay in "the extremely strong fighting will of our army, and its extremely high morale" (Mao Zedong, *On Combat Experiences in the Northwest Theater*), while the enemy forces had "much iron and slight will." Their morale was at a low ebb. As Comrade Mao Zedong said, the complete unity and high morale of the revolutionary forces "created a boundless ocean in which the enemy was swamped, and created remedial conditions that made up for weapons and other shortages. They created a premise for overcoming all combat difficulties." (*Selected Military Works of Mao Zedong*, p. 218).

Morale as a principal spiritual element that creates combat strength is not invisible or imperceptible. All one must do to determine the morale of a company or a detachment during peacetime is to take a look at their barracks area, observe their formations, and listen to their songs and to their sounding off of unit numbers and one can get some idea. Facts show that units having high morale will achieve outstandingly in training and will have few control problems. They will complete their missions smartly. This shows further that troop morale in peacetime is an important indicator in judging a unit's combat capabilities.

Troop morale is related to troop quality, soldier patriotism, and national pride, and it is closely linked to the personal qualities of leaders. When officers and soldiers work together morale will be good, and only when officers comport themselves correctly will morale be high. Thus, those who lead troops must always pay

attention to their personal image and all effective means of stimulating the morale of those under their command

### Conscription Rate High in Guangzhou Joint Ventures

91CM0112C Guangzhou GUANGZHOU RIBAO in Chinese 16 Nov 90 p 2

[Article by correspondent Liang Shijian (2733 4258 3386); "Employees and Workers at the 'Three Capital' Enterprises in Guangzhou Eagerly Rush To Register for Conscription Into the Army—In Many Enterprises Youths of Military Age Have Registered to 100 Percent for Military Service"]

[Text] Chinese-foreign joint venture and cooperative joint venture enterprises in the economic center of Guangzhou earnestly implement China's conscription law and actively launch conscription work. In the last five years, 55 employees and workers of military age from 20 enterprises have responded to conscription orders and enlisted in the Army. After conscription was started this winter, youths of military age in these enterprises enthusiastically registered for induction into the Army.

In ongoing conscription work, these enterprises have paid special attention to the use of the provisions of the conscription law to attain a measure of unified thinking among the foreign executives and department heads, and by getting them acquainted with the provisions of the Chinese conscription law and relevant provincial and municipal conscription laws and regulations, they had convinced them of the duty of Chinese personnel to fulfill their obligations under the conscription law and relevant regulations. The foreign general managers of the China Hotel, the Park Hotel, the Biaozhi Motorcar Company, and other enterprises have every year during ongoing conscriptions participated in mobilizing parties for youths of military age and in send-off parties for youths who joined the military, presenting large red flowers and other mementos to those joining up. Before leaving his post, the first general manager of the China Hotel, Bu-ke (0592 1870), made a special trip to the fire fighting detachment of Huizhou City to see the youths from the China Hotel serving there.

These last few years, youths of military age from Chinese-foreign joint ventures and joint cooperative enterprises in the economic center of Guangzhou have enlisted with great enthusiasm. In many units the rate of enlistments has been 100 percent. After joining the Army in 1987, Wang Meng (3769 3718), a young employee of the Park Hotel, studied diligently and trained assiduously so that on three occasions he received a citation, third class, for meritorious service.

The mentioned enterprises have also given encouragement and rewards to personnel actively fulfilling their military service obligations. For instance, China Hotel has prescribed that personnel serving in the military shall continue to receive their salaries or wages during

their military service. Those who are cited for meritorious service in the Army, third class or higher, and also those who join the CPC would in each case be promoted by one rank in their salary or wage grade, and apprentices could be promoted to contract workers. As for difficulties experienced by family members of the young recruits, the hotel will also do its best to render assistance, so that the young recruits may serve with ease of mind.

### Inner Mongolia Prepares for Winter Conscription

91CM01304 Hohhot NEIMENGU RIBAO in Chinese 4 Nov 90 p 1

[Article by Guo Dongsheng (6753 2639 0524) and Bai Zhanxian (4101 0594 0341); "We Will Carry Out 'The 10 Priorities and the 10 Unacceptables' in this Year's Winter Conscription"]

[Text] These reporters learned during a conference of conscription leadership teams of the Inner Mongolia Autonomous Region on 2 November that the Region will adopt a package of effective measures known as the "10 priorities, 10 unacceptables" in order to ensure the political and physical quality of the soldiers.

These measures include the following regulations: Where soldiers pass political and physical examination, we should give first priority to those who perform well and have good moral quality. We should give priority to those who are strong and healthy. We should give priority to those with a high level of culture. We should give priority to party members and Communist Youth League members. We should give priority to minorities. We should give top priority to those who have made outstanding contributions on various battlefronts and have received awards. We should give priority to people from families with a lot of labor power in which few sons and daughters have been given employment. We should give priority to older people. We should give priority to people with special technical skills. We should give top priority to the children of military martyrs as well as the children of troops and cadres on the border. We will not accept people who are politically questionable and difficult to investigate. We will not accept people who have tattoos or politically questionable slogans or gang symbols inked into their skin which would detract from their military appearance. We will not accept people who have been fired from a public post or expelled from a factory or school, or been given heavy punishment. We will not accept people who have marginal health. We will not accept people who have had contagious diseases or genetic defects in their families. We will not accept people who have altered their household registration or who are too old or young. We will not accept people who have made counterfeit diplomas. We will not accept impostors. We will not accept people who register outside their own district. We will not accept people who are especially disliked by the masses and cannot be judged readily.

The conscription leadership team emphasized that in conscription work we must resolutely resist every sort of irregularity, and that workers and military and conscription organs must obey restrictions and discipline. They must perform well in their social relationships, friendships, family relationships, and money matters.

The leadership team also stressed that every sector of society must strengthen the concept of policy and go by the book in handling affairs. Public security departments must carry out rigorous management of household registration documents and not allow anyone to arbitrarily alter young people's ages or display false identification. Education departments must strictly manage seals. During conscription periods they must never permit people to fill out false graduation diplomas. Civilian administrative departments must coordinate with conscription departments to control the ratio of soldiers from urban areas.

### Ningxia Military Leader Extols Conscription Work

91C M01124 Yinchuan NINGXIA RIBAO in Chinese  
7 Nov 90 p 2

[Article by Hu Shihao (S170 0013 3185), commander in chief of the Ningxia Military District and head of the Ningxia Autonomous Region Conscription Leading Group "Do Conscription Work Well, Strengthen the National Defense Establishment"]

[Text] The State Council and the Central Military Commission have decided to reschedule conscriptions for the Army from spring to winter and to make specific arrangements and preparations for the conscription that is to take place this winter. As conscription is to start soon in Ningxia, such questions as to how to begin this work from the characteristics and realities of Ningxia, how to carry out conscription according to law and in compliance with the orders of the autonomous region government and the military district command, and how to ensure the quality of military personnel are of importance and concern for government agencies at all levels and for all ethnic groups of the entire region. Our starting point and our end shall be protection of the stability of our state and of our armed forces and strengthening of our national defense establishment.

### Enhance Defense Education, Create an Excellent Conscription Environment

With defense education as the core, the important tasks to be accomplished during this winter's conscription are to permeate the entire process of conscription work with defense education, enhance the concept of defense and its perception among the entire population, and nurture an ideology conducive to conscription according to law. In the last few years, party committees and governments at all levels have expended major efforts on defense education to continually reinforce a perception among all ethnic groups of the population, as expressed in the slogans "cherish the military, esteem martial qualities"

and "prepare for danger in times of peace." They have expended major efforts to imbue our young citizens with a sense of duty for military service and of their mission to join the military for the defense of the country, efforts which have brought forth exemplary cases of parents sending their sons, cadres setting good examples, and brothers vying with each other for service in the military. Every year the number of young men of military age rushing to enlist exceeds 20 times the required number. During the last five years, there have never been cases in Ningxia of soldiers wanting to quit the Army. All this testifies to the excellence of defense education throughout the region and of the defense consciousness of the population. It is also forceful proof of increasing defense awareness among the various ethnic groups of the population. In political respects it can engender centripetal force and cohesiveness, in economic respects it can engender productive forces, in military respects it can engender combat strength, in conscription work it can engender the attractiveness and motivating force for military service. The focal point of defense construction is the buildup of the military establishment, and soldiers are the basic element in military buildup. Strengthening defense education is, on the one hand, a way to enhance the quality of military personnel, and, on the other hand, to create an excellent environment where everyone supports and cares about conscription work, and where the finest young men are selected and inducted into the military. Defense education is closely bound up with conscription work, and the combination of conscription work with the launching of defense education will provide an excellent opportunity for improving the results of defense education. Party committees and governments at all levels should seize this excellent opportunity for extensive defense education, which shall have as its core such topics as the international situation, patriotism, and revolutionary heroism, so as to have each citizen understand that the peace we are now enjoying is a peace upheld by our defense capability. Only by strengthening our defense capability will it be possible to maintain and protect the prevailing peace and to gain an environment of peace and stability and one that will be conducive to socialist construction. National calamities cannot be fought without the military, the frontiers of the motherland cannot be kept peaceful without the military, construction of the four modernization projects cannot proceed smoothly without the military, and there can be no peace without the military. If we strengthen our defense construction during peacetime, the enemy will not dare to take reckless action. In the opposite case, if we drop back, we would possibly be beaten. We must therefore realize the actual and historical significance of conducting defense education throughout the whole region. We must realize that national defense is the precursor and the backup force for the development of the national economy and for the development of science and technology. We must wipe out peacetime complacency and raise awareness of the importance of conscription work. We must create an environment in which all sectors of society support and care about conscription work, in which the conscription leading

groups at all levels take seriously their responsibility for effective conscription work, and in which the large number of our young population will consciously and actively rush to enlist in the armed forces.

#### Strengthen "Stability" Awareness, Ensure Quality of Conscription

There is a direct connection between conscription work and the stability of the state and the military establishment. Maintaining social stability is the most important policy of the CPC Central Committee. It is also the correct guiding principle to ensure China's continued social order and security and its overriding concern in the general situation. At present, there is stability in China's politics, economy, society, and in popular sentiment, but we must also clearly realize that international reactionary forces have never relinquished their attempts to subject socialism to "peaceful evolution" and to engage in activities to undermine socialism. Domestically, an extremely small group of people is clinging stubbornly to the views of bourgeois liberalization and will not resign themselves to defeat; they will work in concert with the international reactionary forces. It is against these that we must never relax our vigilance and under no circumstances lower our guard. To maintain stability throughout the country it is necessary to maintain stability in our military establishment. Our armed forces, under the leadership of the CPC, are the people's army; they are the pillar of the dictatorship of the proletariat. At an enlarged meeting of the Military Commission, Secretary General Jiang Zemin pointed out, "Stability of the military is the important factor that guarantees stability and security of the entire state and that is decisive in this respect."

To maintain stability in the military it is necessary to perform many tasks, among which effective conscription and ensuring high quality of new recruits are important factors. As long as the political quality of our new recruits is high and as long as they have a strong sense of organization and discipline, it will help us pursue the effective buildup of our Army. In the opposite case, an element of instability will be injected into the Army if conscription is not effectively done, if recruits are not selected according to strict criteria, if their sense of organization and discipline is poor, and particularly if politically controversial men are inducted into the Army. To ensure quality in conscription work, it is also necessary to be careful to properly relate conscription work with the need to maintain high political standards in the military. The Central Military Commission strongly emphasized that if we want to strengthen the political buildup of the military, it is necessary to always place the military under the absolute leadership of the party and have it always measure up to high political standards. Under the new historical conditions, the Army shoulders a double function, one domestically and one directed toward the outside world, and it is particularly significant to emphasize political excellence in this connection. Effective conscription must therefore ensure that new recruits are of high political quality, that the purity of the

Army will be maintained, and that the primary requirement will be fulfilled, namely that the guns will always be in reliable hands. Maintaining stability of the Army also depends on raising the combat capability of the troops; most important for raising the combat capability of the troops is raising the quality of officers and soldiers. The purpose of conscription work is to infuse new blood into the armed forces, and that is why it is so closely bound up with raising the quality of officers and soldiers. The basic element of the military is its body of soldiers, and the basic element of the body of soldiers are the new recruits. If the new recruits are of high quality, they will form the excellent basis on which it will be possible to nurture and bring up soldiers of excellent quality. We must therefore induct into our military formations young men whose political thinking is good, who are well educated, and who are healthy in spirit and body, so as to lay an excellent foundation for increased combat capability of our military.

#### Foster Policy Concept, Have Action Comply With Prescribed Rules

Effective performance of conscription work will not only limit itself to fulfilling the prescribed conscription task, but, more important, will ensure quality. To ensure the quality of new recruits it is necessary to act strictly according to correct criteria and prescribed rules and to rectify unhealthy tendencies in all conscription processes. In recent years, incidents have occurred in Ningxia when incorrect methods were used in conscription. Practice has proved that problems with the quality of new recruits have frequently arisen in the case of recruits introduced through backdoor influences or by taking advantage of personal relations. Viewed from the special conditions of the military, soldiers introduced through backdoor influences or due to personal relations are difficult to manage and easily cause problems. Although the problems occur in the case of a few persons only, they seriously affect the quality of new recruits and the buildup of the military establishment. They ruin the work style of the party and the military, adversely affect the general mood of society, and spoil the image of military service agencies. This winter's conscription work must therefore be conducted strictly according to the rules prescribed by the State Council and the Central Military Commission. Work at all levels must decidedly foster a policy concept, and military service agencies and leading cadres must especially strengthen party spirit and policy and discipline concepts. They must set an example, handle affairs impartially, and take the lead in implementing the conscription orders of the State Council and the Central Military Commission. They must earnestly carry out the spirit of Premier Li Peng's speech at the State Council's telephone conference, in that they must regard unhealthy tendencies in conscription work as wrongful conduct, raise work style to the level of a correct party work style, vigorously enhance establishment of honest government, and exert great efforts to correct shortcomings.

It is absolutely impermissible to allow in conscription that mistaken way of "meeting a policy decreed by higher authority with countermeasures by the lower authority that will inactivate the decreed policy." We must rather truly preserve honesty in all conscription processes. Underage or overage youths must not be inducted into the military. It is not permissible to transfer rural conscription norms to the cities and raise the required number of recruits there. It is not permissible to lower criteria nor to show special considerations, and it is even less permissible to violate regulations during the conscription process, to practice favoritism, commit fraud, and to give or receive bribes. If any violations of conscription policy or regulations occur during this winter's conscription, and it is discovered that youths have been inducted into the Army who do not measure up to requirements, they shall be resolutely turned back, and the responsibility of the leadership concerned and of parties concerned shall be closely investigated. Under no circumstances shall tolerance or indulgence be shown, so that mistakes of this kind will not be repeated.

In carrying out conscription according to law we must rely on our leadership to lead the way and on the masses to exercise supervision. We must raise the level of policy compliance by our military service agencies at all levels and must mobilize the entire society to show solicitude and support for conscription work, imbued with a high sense of responsibility. We must resist all persons and acts that run counter to conscription regulations. In sum, we must attach a high degree of importance to this matter in ideological respects, adopt effective measures, and earnestly implement the various policies and regulations to create an excellent state of affairs in which conscription is being carried out according to prescribed rules.

#### Sichuan Encourages Support for Conscription Work

91C M0112B Beijing ZHONGGUO SHIJIU BAO  
in Chinese 23 Nov 90 p 1

[Article by correspondent Yue Lincai (1471 2651 2088): "Integrate Defense Education With Defense Practice—Sichuan Optimizes Social Environment for Conscription Work"]

[Text] Since the last week of October, Sichuan Province, which already at this year's All-China Conscription Work Conference had demonstrated its experience, is again showing "conscription fever." Several ten thousand propagandists are going into the villages, towns and townships, factories and mines, government agencies, and schools throughout the province, propagating the "Conscription Law" and related policies and regulations. The provincial government and the military district leadership are giving televised speeches on conscription, and provincial and municipal propaganda organs at

all levels also use a variety of forms to spread propaganda on conscription work. At present, a stirring situation has emerged all over Sichuan, where youths of military age rush to register for induction into the military, where parents send their sons, older siblings send their younger brothers and sisters to register for military service. It even happened that over 7,000 Sichuanese of military age working or engaged in trade in Xinjiang, Tibet, Guangzhou, Shanghai, and other places have returned one after the other to Sichuan to present themselves for the motherland's selection and drafting into the Army.

Sichuan's "military service fever" has continued through the last few years. From the top, from the central leadership, down to the basic level of the common people, all are agreed that highly effective defense education for the entire population has aroused among all citizens a patriotic mentality and the desire to dedicate themselves to the service of the motherland. Having lived for a long time under peaceful conditions, it has occurred in some areas and units of Sichuan that a few youths are disinclined to register for conscription and that heads of households will not support the idea of their children signing up for military service. Through repeated investigation and analysis, Sichuan's party, government, and military leadership and relevant departments realized that the major reason for this attitude is that citizens have become indifferent to defense concepts. Therefore, since 1986 Sichuan began to issue a series of documents on the nature of national defense laws and regulations. The province also insisted on such measures as holding defense education lectures for party, government, and military leading cadres at all levels, holding meetings to exchange views on the military, conducting national defense day activities, and initiating technical studies. It inculcated national defense theory and national defense policies and principles, and instituted education in national defense spirit and in the national defense legal system among youths of military age, among militia, and among members of the military reserve.

All parts of Sichuan paid special attention to the integration of national defense practice with national defense education, thereby creating an excellent social environment for conscription work and effectively mitigating and resolving difficulties that are experienced in conscription, placement, and leading of troops. According to preliminary statistics, the province has provided, since 1986, somewhat over 3.45 million square meters of housing for families left behind by military cadres, more than 7,400 units of readjusted work or types of work for military dependents, more than 4,900 units of work for children of military dependents, and has placed more than 7,000 of their children in nurseries and schools. At the same time, the province launched throughout its entire area "emulate our heroes, help their families" activities, and in over 850,000 cases rendered assistance to family members of disabled servicemen. It repaired

740,000 square meters of housing, organized more than 210,000 household assistance and land cultivation assistance teams, thereby helping to plow and seed more than 2.46 million mu of fixed-output-quota farmland for family members of revolutionary martyrs and for families of disabled servicemen who lack sufficient manpower. The widespread defense-related practical activities have provided vivid and realistic education for all citizens in the glorious traditions of patriotism, support for the Army, and caring for military dependents. It has

deepened understanding of the men serving in the Army, as well as respect, solicitude, and willingness to care for them. It has brought forth large numbers of advanced units and persons imbued with patriotism and eager to support the military, and has led to a new excellent social habit of recognizing that "serving in the Army is glorious, supporting the Army is glorious, fulfilling all one's obligations to national defense is glorious," and has thereby gained support from all quarters of society for conscription work.

## EAST REGION

### Fujian Sentences, Executes 5 Murderers, Robbers

HK2612032490 Fuzhou Fujian Provincial Service  
in Mandarin 1100 GMT 25 Dec 90

[Text] This morning, the Fuzhou City Intermediate People's Court held a public rally to pronounce sentences on a group of criminals who had committed serious crimes.

In accordance with the law, the court sentenced murderer (Chen Jinlong), murderer (Chen Jinmu), robber (Lin Zhengan), robber and rapist (Hu Faqiang), and robber and rapist (Yang Bengan) to death, and sentenced robber and rapist (Wu Fazhong) and robber (Chen Guanghui) to life imprisonment. All the above mentioned criminals were deprived of political rights for life.

At dawn on 7 July, murderer (Chen Jinlong) and murderer (Chen Jinmu) went to the (Fuchizhou) Grass Farm in (Fuyu) Township of Changle County to steal green grass. The grass farm was contracted by (Lin Heping), (Lin Yili), and (Lin Caibao). While stealing the green grass, (Chen Jinlong) and (Chen Jinmu) were discovered by (Lin Heping) and two others, who demanded that they pay compensation for the stolen green grass. (Chen Jinlong) and (Chen Jinmu) refused to pay compensation and cruelly killed (Lin Heping) and two others with axes and sickles. Then they buried their bodies and absconded to avoid punishment. (Chen Jinlong) and (Chen Jinmu) had committed the crime of deliberately killing people. In accordance with the relevant articles of the "PRC Penal Code," the Fuzhou City Intermediate People's Court sentenced (Chen Jinlong) and (Chen Jinmu) to death. The two criminals were immediately executed.

### Shandong Party Building Achievements Reported

SK0512080490 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 4 Dec 90

[Text] Since the beginning of 1990, party organizations at all levels throughout the province have enhanced their building of party style and administrative honesty by earnestly implementing the spirit of the Sixth Plenary Session of the 13th CPC Central Committee and adopting effective measures.

They have also dealt with prominent problems affecting the bond between the party and the masses by resolutely combating corruption and have further tightened the bond between the party and the masses by performing practical deeds for the people in a down-to-earth manner.

Since the beginning of this year, party organizations at all levels across the province have realistically improved their work style, performed practical deeds for the masses, and helped the people overcome their difficulties. The party and government organs at or above the county level throughout the province have dispatched

more than 21,000 cadres to 6,050 villages and 1,830 enterprises to help them deal with their problems, thus bringing about great changes to the looks of these villages and enterprises.

By adopting effective measures in dealing with the problems that the people have lodged strong complaints about, the province, by the end of September this year, discovered 7,044 personnel who violated the law in building private houses. Of these personnel, 160 were punished in line with the party and government disciplines or with the law, and 6,137 received economic sanctions. The province discovered more than 110,000 cadres, staff members, and workers who had borrowed 169 million yuan of public funds and has recovered 128 million yuan of the borrowed money, which accounts for 74.6 percent of the total.

In correcting the malpractices which are cropping up in various industries and trades, the province has emphatically dealt with the problems of polluted environments, chaotic orders, and poor services, as well as key problems concerning the affairs of various industries and trades. The provincial level departments have conducted general self-examinations and have discovered 1,283 cases in which 865 regulations and rules concerning expenditures, fines, and apportionments had been violated. These cases are being taken care of.

While strictly enforcing the law and discipline, various localities across the province have also thoroughly carried out the educational activities of studying the party constitution and straightening out party style and have further upgraded the political quality of party members. Through education, the vanguard and model roles of party members have been further realized, and the cohesion of party organizations has been enhanced. During the educational period, more than 10,000 young cadres and people have submitted their applications for party membership.

In enhancing the building of systems, various localities across the province have enhanced the restriction mechanism of supervision. The majority of party organizations at city and prefecture levels across the province have established the systems of examining the results scored in building administrative honesty and improving party style, setting up networks of supervising party style and the archives concerning party style records, conducting democratic appraisals over party style, carrying out democratic polls, and examining the work done by party members and leading cadres.

They have further enhanced the inner party restriction mechanism of supervision. Seventy percent of the departments directly under the organs of cities, prefectures, and counties, as well as more than 90 percent of townships, towns, and villages have established the system of two openness and one supervision.

### Shandong Official Urges Promotion of Female Cadres

SK2512152190 Jinan Shandong Provincial Service in Mandarin 2300 GMT 22 Dec 90

[Text] It was stressed at the provincial forum on the work of training and promoting female cadres, which ended in Jinan on 22 December, that it is necessary to train and promote even more outstanding female cadres as quickly as possible.

Tan Fude, Standing Committee member of the provincial party committee and director of the organization department of the provincial party committee, attended the forum and made a speech. He said that female cadres are an indispensable force in our party's cadre contingent. Organization and personnel departments at all levels should further expand their fields of vision and open up channels to discover and promote excellent talented women as far as possible from various trades and professions at various levels. Beginning next year, the province should select a fixed number of excellent female students graduated from colleges during the year. It should assign them to provincial, city, county, and district party and government organs. At the same time, the province should establish and strengthen the ranks of female reserve cadres. It should gradually expand the proportion of female reserve cadres, making this proportion 15 to 20 percent in two to three years.

Tan Fude emphatically pointed out that only by training and promoting even more female cadres to leading posts will it be possible for us to further strengthen the ties between the party and the masses of women and to encourage the vast number of women to work hard and make contributions to invigorating Shandong.

Wu Aiying, director of the provincial Women's Federation, also spoke at the forum.

### CENTRAL-SOUTH REGION

#### Guangdong Government To Fund Literary Works

OW2412174990 Beijing XINHUA in English  
1615 GMT 25 Dec 90

[Text] Guangzhou, December 24 (XINHUA)—The Guangdong Provincial Government has established a one million yuan fund to support the publication of excellent literary creations in this south China province.

The province has intensified its efforts to rectify cultural activities and continue the campaign against pornographic literature, in its drive to promote the socialist culture and arts.

The money will be used to assist in the publication of excellent literary creations and other high-quality works. The fund will also be used to award those who have made contributions to the promotion of literature, to foster new writers and to promote academic exchanges

between writers in the province with writers in other parts in China as well as in other countries.

A foundation has been established to oversee and be responsible for the work.

#### Guangzhou Mayor Stresses Role of Lawful Government

91CM0106A Guangzhou GUANGZHOU RIBAO in Chinese 9 Nov 90 p 2

[Article by Li Zihu (7812 1311 3177), acting mayor of Guangzhou: "Lawful City Government Stems From Lawful Administration"]

[Text] In March of this year, the "Five-Year Program for Lawful City Government in Guangzhou" was passed at the third session of the ninth municipal People's Congress. This program will play a major role in advancing the establishment of socialist democracy and the legal system in Guangzhou. Effectuation of the program will rely on a combination of party leadership, supervision by authoritative organs, the support of social groups, and the joint efforts of all the people. Government organs are confronted with an enormous task in effectuating lawful city government. All levels of government and all of the various departments must raise their awareness of lawful administration and strive to earnestly give the right ideological attention and actively take the initiative in their behavior so that this "Five-Year Program" may be thoroughly implemented.

Lawful city government stems from lawful administration. Herein lies the position and function of government. All levels of government are both organs for the execution of party policy and the laws of the nation, and organs for the exercise of state administrative and management authority. They are given the important tasks of managing all affairs within our administrative territory that pertain to politics, economics, culture, education, science and technology, establishment of city government, and social life. This position and function of government means that we must manage our economic and administrative affairs in accordance with the powers conferred upon us by the Constitution and the laws. The administrative management performed by government organs is, in essence, legal management. If we deviate from the law, then our administrative management has no basis and it becomes difficult to realize the functions of the state. That is, all activities of administrative management must be performed in accordance with the law—lawful city government stems from lawful administration. Thus, our guiding concern in promoting lawful city government ought to be to strengthen the legal awareness of government organs and leaders of government at all levels and to heighten our consciousness with respect to lawful administration. How are we to achieve the basic goal of lawful city government in accordance with the mandates of the "Five-Year Program"?

First of all, we must uphold lawful decisionmaking and ensure the correctness of administrative management.

Administrative management is predicated on correct decisions. In particular, with the current move upon us to improve, rectify, and intensify reforms, many new situations and issues have arisen in economic construction and social management, and the scope and content of administrative decisionmaking are now multiplied, broader, and more complex. If those responsible for administration and management have no policies, laws, or regulations to provide them with clear standards and directions, then it becomes difficult to make correct decisions with respect to important political, economic, and social issues. Guangzhou is the capital of Guangdong Province, and we have the authority to make lawful administrative regulations. The city government has promulgated over 400 regulations since 1985 that are based on the laws and regulations of the state. These regulations take into account the fact that Guangzhou is a test city for comprehensive systemic reforms and legal construction and a site of reforms in the systems of finance and science and technology. The regulations have followed legally determined procedures from their time of proposal up to their implementation, and most of them were subject to debate by government standing committees, proposals being heard from various quarters, arguments pro and con being tossed back and forth, and prudence being the watchword in decisionmaking. All of this has gone to ensure the legitimacy, correctness, and feasibility of the regulations. We have established behavioral standards for the broad masses and for organizations, government administrative management now has laws on which to base its decisions and regulations to abide by, and this in turn has advanced the launching of citywide reforms and impelled development in the economy and in all items of business.

Second, we must persist in doing things in accordance with the law, and we must continually raise the efficacy of our administration. And what can government rely on to raise the efficacy of its societal administration? As China's socialist commodity economy continues to develop, we cannot rely solely on administrative means to manage our society, but we must give full play to the role of legal means in societal administration. As reforms intensify, numerous complex relationships and issues pop up, and conflicts involving the government and enterprises or the collective and the individual continually emerge. If administrators do not manage affairs in accordance with the law, but instead remain accustomed to intervening through administrative means, they will find that, as the legal awareness of the masses grows stronger, things will not turn out the way they might have expected and things they should be accomplishing will not get accomplished. For example, our city government administration has long been faced with certain ineradicable problems: Illegal construction cannot be stopped, people clog up traffic while conducting their business in the streets, they toss their garbage wherever it is convenient, they spit on the ground, our public transportation is at times chaotic, and we cannot curb the business in counterfeit goods. Departments concerned have nabbed many people for these violations, but usually it runs in a

cycle where arrests are made, things simmer down, but then the authorities relax, and the violators are at it again. In reality, the administrative results to be had by relying solely on administrative edicts and sudden flurries of investigation are difficult to sustain. What happens is that twice the effort yields half the result, and the symptom is treated while the underlying cause goes untouched. But if we can manage to handle things in accordance with the law and follow the rules and regulations, we can establish a system where half the effort yields twice the results and problems are resolved at their source.

Thus, our administrative focus should be on having the law guide, educate, and punish the behavior of the people. We must gradually move away from the mindset of "rule by man" and instead establish an ethic of rule by law. Not only do we need to stress economic construction, but more important, we must stress the establishment of the legal system, altering our habits of "engrossing ourselves in day-to-day work," making piecemeal adjustments, and "acting like petty tyrants." We must establish the authority of the law and devote the main part of our energies toward looking at the overall situation, taking care of large matters, and handling the work of our area, our industry, or our unit in accordance with the law. In particular, leading cadres must overcome the old ethic of "allowing power to substitute for the law." They may not extend privileges to particular citizens, and they must take the lead in constraining their own behavior within the confines of the law. Their own exemplary conduct should influence and spur on the broad mass of cadres and people. Leading cadres must be willing to meet with resistance, and they must be skillful in "handling difficult situations." Herein lies a vital link in our effort to heighten the administrative function.

Third, we must persist in lawful supervision, and we must establish the authority of our administration. Lawful supervision is one component of lawful administration. The aim is to ensure that administrative organs are correctly employing their powers and to keep the machinery of state administration running smoothly. There are two aspects to lawful government supervision. On the one hand, government itself is supervised—it allows the proper organs of authority to watch over its actions. This mainly takes the form of heeding the opinions and advice of people's representatives, giving scheduled or unscheduled reports on government work to the commensurate level of People's Congress and its standing committee, and earnestly handling the proposals made by people's representatives. Government work is improved when opinions, criticism, and proposals are heard. On the other hand, government itself does the supervising—it watches over the administrative work of subordinate departments. Currently, although I must admit that certain laws and regulations are not sound, most of the illegal activity in government organs and the crookedness in industry are due to the fact that the existing laws and regulations are not well enforced. Thus, as we work to run the city in a lawful way,

government must do a better job at self-supervision and must conscientiously improve and promote enforcement work. Government and its workers at all levels, and in particular the leading cadres, must take the lead in enforcing and abiding by the law while consciously exercising authority within the scope of the law. Law and discipline must be strictly enforced, and the illegal acts of workers in administrative organs must be earnestly investigated. At the same time, we must give full play to the supervisory role of social groups and the citizenry; and appeals, accusations, and reports made by the people must be thoroughly looked into and handled in accordance with the law.

Not only are lawful decisionmaking, lawful administration, and lawful administrative supervision the real nucleus in running the city in a lawful manner, but they are the key to the thorough implementation of the "People's Republic of China Administrative Law of Procedure." Lawful administration must lead to honesty, diligence, goodness, efficiency, and lawfulness in every area, level, and link of government, with matters being handled in strict accordance with the law. We must strive to eradicate the "no can do" attitude that is so reminiscent of the old feudal bureaucracies, instead bringing the administrative process out into the open, working continuously at the "two opens and one supervision system," giving citizens and organizations the opportunity to express their desires with respect to the exercise of administrative organ functions, and welcoming the help of the people in improving government work. We must correctly deal with the relationship between "officials and citizens" and perform well as public servants, both making a conscious effort to submit to the supervision of judicial organs and to respect and support the work of the people's courts and the procuratorate, as well as strengthening our administrative work with the full assurance that the power we exercise is bestowed on us by the law.

In sum, leaders at all levels of government must strengthen their sense of responsibility toward lawful city government. We must combine our effort to strengthen government establishment of the legal system with our effort to improve, rectify, and intensify reforms, continually heightening the efficiency of our administration and the level of our lawful government, and promoting the further perfection and development of democratization and legalization in our administrative work.

## SOUTHWEST REGION

### Qiao Shi Conducts Inspection Tour of Sichuan

91CM01084 Chengdu SICHUAN RIBAO in Chinese  
22 Nov 90 p 1

[Article by staff reporter Xu Yongheng (1776 3057 1854): "Unswervingly Pursue Reform and Opening Up to the Outside World"]

[Text] The other day, when inspecting Chongqing, Fuling, Wanxian, and other places in Sichuan Province, Qiao

Shi, member of the Politburo Standing Committee of the CPC Central Committee, stressed that the party's basic line must be resolutely implemented. Under the unified leadership of the central authorities, the initiative of the center and the localities must be displayed. By relying on the deepening of reform and on the masses, work in the nineties must be done even better than it was in the eighties.

Qiao Shi arrived in Chongqing on 14 November. After hearing reports by Chongqing City officials on economic work, he pointed out, "As we entered the nineties, we encountered some economic difficulties. However, we must not look just at the unfavorable side of the economy; we must also see that there are many favorable conditions and that the current difficulties can be overcome. In the eighties we achieved two years ahead of schedule the goal of 'quadrupling'; growth was the main trend in both the coastal regions and the interior, and there were great successes. We must sum up the experiences of the eighties in order to make the economy grow even greater in the nineties."

Qiao Shi said that the way to stimulate the economy can only be to deepen its reform while continuing to improve and rectify it. Reform and opening up to the outside world and building socialism with Chinese characteristics have won for us the opportunity, which we have not had for several hundred years, to build the economy well. We certainly must treasure this opportunity and unswervingly pursue reform and opening up to the outside world.

When Song Baorui [1345 1405 3843], deputy secretary of the provincial party committee, in his report discussed the question of starting up rural markets. Qiao Shi said that the situation in Sichuan, like that in the whole of China, is one in which the rural population is large and there is a great potential for rural markets. Construction of housing occupies first place in the peasants' demands. Under the premise of ensuring that cultivated land is not taken over and that construction plans are reasonable, we should support the construction of housing for qualified peasants.

When inspecting the Chongqing Iron and Steel Company, Qiao Shi highly commended the company for its "million-ton iron wire comprehensive technological transformation project," for which it raised money by itself. He emphasized that the technological transformation of large and medium-sized enterprises had already reached a point at which there was no turning back, and that conditions must be created for carrying it out step by step in a planned manner.

On 17 November Qiao Shi took a boat trip eastward on the Chang Jiang and inspected some counties, districts, and townships as well as peasant households in Fuling and Wanxian Prefectures. He said that rural reform must be deepened to arouse the peasants' enthusiasm, but, no

matter what, the insistence on implementing the output-related system of contracted responsibility must not waver in the slightest. He said that this system is a form of the collective economy. No matter whether it is a case of perfecting the double-tier management system or a case of expanding the township and village collective economy, it must be done on the premise of benefiting the upholding and further development of the output-related system of contracted responsibility.

He said that there was a bumper harvest this year and the agricultural situation is fairly good. However, there have also appeared the problem of grain being difficult to sell and the problem of pigs being difficult to sell, so the peasants increase their output but not their income. The enthusiasm of 800 million peasants must not be damped, and even if it causes more difficulties for the state, the peasants must be looked after well. We must firmly implement the grain reserve system, gathering the grain sold at protected prices by the peasants. We must also think of a way to solve the problem of pigs being difficult to sell.

When inspecting township and town enterprises, Qiao Shi pointed out that we certainly must not slack off in grain production, but we also must not fix our sights on the several fen of per capita cultivated land. Rather, we must have the viewpoint of large-scale agriculture in which there is comprehensive development of agriculture, forestry, animal husbandry, sideline products, and fishery. After the economic forests, economic crops, and animal husbandry are developed in the rural areas, there will be a need for processing, and so there will be a demand for development of the township and town enterprises. While developing the rural collective economy, we must also pay attention to developing township and town industry, as well as the building construction industry, commerce, and other tertiary industries. This will not only enable the rural areas to cast off poverty and create wealth and to promote the development of social welfare undertakings, but will also enable the economy to "digest" part of the abundant labor power and resolve the contradiction of many people and little land. Especially in the central-west region of China, there are not many township and town enterprises. The current development of these enterprises requires vigorous guidance and a constant raising of technological and managerial levels.

When inspecting the poor districts and townships of the cities and counties of Fuling, Fengdu, Wanxian, and Wushan, Qiao Shi said that the basic experience in the work of relieving poverty is to turn pure relief into economic development. Everywhere attention must be paid to suiting measures to local conditions, relying on one's own superiorities, and using poverty-relief funds to gradually develop the commodity economy in order to lay a foundation for future development. He stressed that party organizations at all levels must depend closely on the masses of people, keep their eyes on what is before

them, and, in a down-to-earth manner and with marked successes, do the work of casting off poverty and creating wealth.

After hearing reports on party building in various places, as well as on inspecting discipline, promoting honest government, and doing political and ideological work, Qiao Shi said, "We are a party that rules for the interests of the people, and we have no private interests apart from the interests of the worker class and the greatest number of people. This means that each Communist Party member must wholeheartedly serve the people; must, under the new historical conditions, and carry on and display the party's three major work styles as well as its fine tradition of arduous struggle. If a party member uses his authority of office to seek his own private gain, he violates party discipline and he will be dealt with seriously." He added that all party tasks are accomplished through work at the grassroots, and the building of grassroots party organizations and grassroots political power must be put in an important position. All the strength of our armed forces is predicated upon the important link of building the party branch within the company. We must make an effort to get a good, practical grip on building grassroots party branches and make a point of developing new party members on the first line of production. After inspecting the Dayanggou Police Station and other units in Chongqing, Qiao Shi stressed that all party and government grassroots organizations and units are links to the masses, and that they must make service to the masses their primary task. Party committees at all levels must take seriously the improvement of public order, cracking down on crimes and promoting good public order. They certainly must persist in promoting good public order at the grassroots level for a long time.

On 21 November Qiao Shi finished his inspection. He then traveled by boat through the Three Gorges and left Sichuan. The leading comrades who accompanied him at various times on his inspection were Song Baorui, deputy secretary of the provincial party committee; Bai Shangwu [4101 424 2976], vice chairman of the Standing Committee of the provincial People's Congress and secretary of the Political and Legal Affairs Commission of the provincial party committee; and Yang Chonghui [2799 1504 0565], member of the Standing Committee of the provincial party committee and secretary of the provincial Discipline Inspection Commission.

## NORTHEAST REGION

### Jilin Government Holds Meeting on Grassroots Work

SK3112145190 Changchun Jilin Provincial Service in Mandarin 1030 GMT 29 Dec 90

[Excerpts] This morning, the provincial government held a meeting of party-member leading cadres of various committees, offices, departments, and bureaus and of secretaries of party committees of various organs to

sum up and exchange the experiences of leading cadres at the department and bureau levels in going deep among the grassroots and in improving work style. The meeting was also held to form plans for next year's work. [passage omitted]

In 1990, in accordance with the demands of the central authorities and the plans of the provincial party committee and the provincial government, all committee, offices, departments, and bureaus of the provincial government have conscientiously organized office cadres to go deep among the grassroots. According to incomplete statistics, a total of 7,023 cadres were sent to the grassroots, of which 379 were cadres at the department and bureau levels, and 1,893 were cadres at the section level. These office cadres were sent in groups and in various forms to the grassroots. They made active efforts to stabilize the situation and develop the economy.

Zhang Hongwen, acting secretary general of the provincial government, gave a speech at the meeting. He fully affirmed the achievements of our provincial office cadres in going to the grassroots. In line with the demands of the leading party group of the provincial

party committee and the provincial government, he presented several views on sending office cadres deep among the grassroots to continue their work next year. First, we should consider implementing the guidelines of the Sixth Plenary Session of the 13th Central Committee and the sixth session of the fifth provincial party committee. These are on restoring, promoting, and continually trying to strengthen the agricultural foundation. They are also basically on improving industrial production as the emphasis and advancing the economy as the prominent work tasks of office cadres who are sent deep among the grassroots. Second, on the basis of summing up experiences, we should regularize and institutionalize the practice of making office cadres go deep among the grassroots. Third, when going deep among the grassroots, leading cadres should concentrate their main energy on conducting investigations and study, enhance their policymaking capability, and do a good job in guiding the work of their own departments. Fourth, with the spirit of rectifying the work style of organs, we should realistically strengthen organizational leadership and strictly manage the work of sending office cadres deep among the grassroots.

### Economy Rebounds, Inflation Remains High

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[By Ian K. Perkin]

[Text] The economy rebounded strongly in the three months to September with growth estimated to be two to three per cent over the depressed third quarter of last year.

But inflation remains a problem with price increases last month—due to be issued officially today—up 10.4 per cent on October last year.

The two-to-three per cent expansion in gross domestic product (GDP) for the September quarter follows zero or negligible growth in the first half of the year.

It results from stronger domestic demand—from local consumers and tourists—and continued re-export growth compared with the post-Tiananmen Square depression in the July to September quarter of last year.

Despite the better performance, the government economist, Mr Tang Kwong-yiu, has lowered the official growth forecast for the full year to 2.3 per cent from 2.5 per cent previously.

The new figure for GDP growth is well down on the three per cent forecast by Financial Secretary Sir Piers Jacobs in the March Budget and is in line with last year's revised growth rate, also 2.3 per cent.

Mr Tang has also revised upwards the outlook for inflation for the year to 9.7 per cent, from 9.5 per cent previously and the 8.5 per cent initially announced in the Budget.

This revision is a direct result of the impact of higher oil costs on Hong Kong since Iraq's invasion and occupation of Kuwait in August and, to a lesser extent, rises in government taxes in the March Budget.

The Government believes that it can bring average inflation for the year in at the new 9.7 per cent forecast despite the rapid escalation in prices since August.

It points out that the cumulative inflation figure for the first 10 months of the year averaged 9.5 per cent and prices are expected to rise at annual rates of no more than 10.5 per cent to 11 per cent this month and next.

Anything more than that in the final two months of the year would, however, push average inflation back towards the double-digit rate of exactly 10 percent recorded last year.

The two major factors pushing inflation higher are fuel price rise—the flow through of which is not yet complete—and revision of rentals for public housing, especially in the CPI (A).

The government's third-quarter economic report, out yesterday, said that despite the Persian Gulf crisis uncertainties and the downturn in the United States, the economy improved in the September quarter compared with the previous four quarters.

It noted that exports had continued to grow significantly, with the decline in domestic exports being more than offset by a further marked increase in re-exports.

Retained imports also showed a marked revival, indicating stronger domestic demand.

Commenting on the report, Mr Tang said the slowdown in economic activity had initially helped ease inflation earlier in the year but the oil price rise since August had renewed the inflationary push.

"On the basis of this report and the latest available information, a review has been made of the forecast of the GDP and price trends for 1990," he said.

This resulted in the new 2.3 per cent forecast for GDP and 9.7 per cent for inflation.

But commenting on the inflationary outlook, Mr Tang said the global surge in oil prices was still adding to local inflation.

"Against this, the moderate inflation in China and the relatively stable world commodity prices for non-oil products are providing some relief," he said.

"With the impact of higher oil prices continuing to filter through and, with a revision in public housing rentals, the CPI (A) rose 10.4 per cent in October over a year earlier."

The government report pointed out that domestic demand improved in the third quarter compared with previous quarters and the decline in retained imports of consumer goods had moderated significantly.

In the domestic sector, the forecast growth rate in real terms of private consumption spending has been raised to 4.5 per cent from 3.5 per cent.

Consumer demand, particularly for services, has continued to revive but the present growth rate is also a reflection of the weak consumer spending in the second half of last year.

Mr Tang said the labour market remained tight but that the vacancies situation had improved significantly in most sectors and competition for labour, therefore, appeared to be less intense.

There had been consistently strong re-export growth since the early part of the year.

"The continued increase in outward processing activities coupled with the recovery in re-exports to China should

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continue to contribute to re-export growth in the next few months," said.

Domestic exports are still expected to fall 0.5 per cent over the full year, due to the fall in the first three quarters.

But the significant increase in retained imports of raw materials and semi-manufactures in the second and third quarters suggests that a marked improvement in domestic exports in the current quarter is likely.

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